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A Quality Firm**

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**Finer Features In
'96 Luxury Cars**

FACE to FACE



*Communicating the old-fashioned
way to achieve new goals.*

NOVEMBER 1995 - \$2.50

Published by U.S. Chamber of Commerce

Bill Borders, President Las Vegas Auto Parts Las Vegas, Nevada



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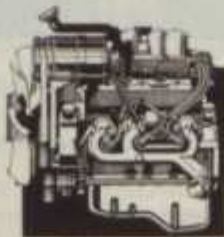
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Mr. Bill Borders owns a 1994 Safari cargo van and several other GMC Truck products.

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PHOTO: GRANTY PIERCE

To restore the firm's viability, Alga Plastics' president, Stephen Taglianetti, spent time with sales reps such as Victoria Platt to listen, to learn—to communicate. Such give-and-take is catching on as companies find it an effective problem solver. Cover Story, Page 18.



Garfield might yawn at his income prospects from licensing, but creator Jim Davis doesn't. Making It, Page 12.

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Spurred on by steadily increasing sales—a large percentage of them to business owners—luxury-car manufacturers have been adding features designed to make their best cars the best ever.

Editor's Note

Seldom As Simple As It Seems

In many respects, good communication seems to be a matter of common sense. But, like many business skills that are often made to look easy, communicating effectively is not always as simple as it seems.

This month's cover concept serves as a good example. The challenge was to convey quickly the idea behind the story: that the old-fashioned way of communicating—talking and listening—can still be the most effective in meeting new business goals. The first hurdle: how to use the word "communication" without implying the use of new technology and how to convey the sense of the word using fewer letters, or characters, as we call them. The second dilemma: how to illustrate the point.

The headline "Face To Face," followed by an explanation in smaller type, was our answer to the first challenge. The story writer, Special Correspondent Sharon Nelton, suggested the words we used. (This article, which begins on Page 18, is her 20th *Nation's Business* cover story.)

The second, and more difficult, task—finding a way to complement the words and reinforce the point visually—was the challenge faced by our Art Department. Art Director Hans Baum and Senior Designer Georgia McDonald, in the photo above, collaborated on a solution. But communicating the point graphically was no simple matter. It involved a labor-intensive series of illustration concepts and cover designs and a lot of tweaking, revising, and fine-tuning.

Does the ultimate design work? This is a critical question we face monthly as each issue enters the mail. What do you think? Send me your thoughts at 1615 H Street, N.W., Washington, D.C. 20062, or fax them to (202) 887-3437. Constructive criticism—even when it's not delivered face to face—can be extremely helpful.



PHOTO: T. MICHAEL KESZ



Luxury cars for 1996 are loaded with performance, comfort, convenience, and safety features. Special Report, Page 35.

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This issue marks the first anniversary of our Small Business Financial Adviser section, which we believe is one of the most important packages of information we provide to you each month. We hope you've found this feature helpful in planning your company's finances and your own. This month's section, including our stock-market outlook, begins on Page 62.

Until next month,

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation's Business

Letters

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Other Side Of The Coin On Minority Business

 In reading your October cover story on minority business, I noticed that you never mentioned how many established businesses have been driven out and under because of losing contracts based on race. Never mind that those companies have better quality, pricing, and delivery—Uncle Sam says “give,” so corporate America complies.

I know of companies that have been




forced out of business because of minority set-asides, and they had more minority employees than the minority companies that were given the contracts.

Let's not forget about the amount of fraud that has occurred in attempting to make a killing from federal mandates. This happens when companies sell or transfer 51 percent ownership to minorities, and that's the end of the company's “minority integration.”

Let's tell the whole story.
Jeffrey Scott
Allan Tool & Machine Co., Inc.
Troy, Mich.

Some Government Agencies Deserve To Survive

 I have just completed reading “Trading Places” in your September issue and noticed that Willard Workman, vice president/international policy for the U.S. Chamber of Commerce, indicated that the Chamber is “taking no

position on specific proposals to consolidate trade functions.”


As the president of a small business, I had no idea of the assistance provided by the Department of Commerce, particularly the services provided by the U.S. Export Assistance Center, and how valuable those services can be to a company seeking new markets. Recently, the center has gathered statistics and import/export tariff information; introduced my company to the Japanese External Trade Organization (JETRO, a Japanese government nonprofit trade-promotion organization) and arranged a meeting between us; identified several dozen potential distributors in Japan; helped arrange meetings with three major Japanese food buyers; and provided unlimited support and information.

As a result, my company is well on its way to developing an export market. Without the support of the Export Assistance Center, I never would have attempted to enter this market.

I understand and support the goal of consolidating and eliminating many government agencies and functions. There is too much unnecessary duplication, and changes must be made. However, consolidating or eliminating agencies that help stimulate our economy, create jobs, and decrease the trade deficit is probably not the best way to achieve this goal.

Thomas Maschhoff, President
Cocoa Beach Coffee Co.
Tacoma, Wash.

The Flat-Tax Option: Does It Work For You?

 A flat 10 percent income tax on all real income, with no exemptions and no deductions, would raise almost \$100 billion more in annual taxes than are now being collected. The Internal Revenue Service could be disbanded, since all income taxes could be withheld when income is paid. No individual taxpayer would ever need to file a return unless he or she had capital gains or rental income.

What are you waiting for? Get out your pencil and figure out if you and your company would be better off paying a flat 10 percent. I am interested in your readers' opinions on this matter. Please fax me (310-822-6637) your vote: yes or no for yourself, and yes or no for your company.

Robert Boucher
Astro Flight Inc.
Marina Del Rey, Calif.

More Government Is Never The Answer

Month after month, I fill out your Where I Stand surveys. Most times, the answers I would give are not listed. Thus, I have to write in answers of



my own. A good example is the eighth question in the August "Where I Stand On Job Training." The question reads: "Which of these would best improve education/training programs at the local level?" The choices are: "1) publicly funded vouchers for government or private-sector training; 2) one-stop education/training and referral centers; 3) increased flexibility of state/local use of federal funds; 4) no changes needed."

All these choices require government spending. More government is never the correct answer. Please include choices that conservative small-business people can agree with.

Dan Evans, President
Evans Electric Co. Inc.
Portsmouth, Va.

Business Panel Needs To Get Priorities Straight

In reference to your August article "A Small-Business Wish List," concerning the White House Conference on Small Business, you did not enumerate the 60-point agenda in order of the delegation's prioritization. *Small Business Hotline*, a publication of the Small Business Council of the Metropolitan Tulsa Chamber of Commerce, did present those priorities in its recent newsletter.

After reading those recommendations, I was alarmed to note that of all the obstacles facing the small-business person in 1995, the delegation concluded that restoring deductions for meals and entertainment to 100 percent is the No. 2 priority of the small-business sector.

Equally alarming was that dead last on that wish list was the recommendation that financial institutions should be evalu-

ated on the basis of their efforts to meet the capital needs of small business.

We can only hope this is more a reflection of the lack of capital needs of the members of the delegation and less a reflection of small business's agenda for stabilizing its place in our economy. *Michael Kingsley, District Manager M.E.K. Corp. Tulsa, Okla.*

[Editor's Note: We believed that grouping the White House conference's priorities according to subject areas would give our readers a better view of the themes that had emerged than would the list of 60 separate priorities.]

How An On-Line Service Can Cut Fax Costs

My long-distance fax bill was running several hundred dollars a month, with faxes going to Panama, the United Kingdom, Greece, and Japan, among others. I have cut fax costs to about \$50 a month by joining the CompuServe on-line service. We now transmit many of our messages over CompuServe



rather than by fax. The cost is about \$10 a month, plus local telephone costs.

*Michael E. Telichow
Aquarian Marine Consultants
South Houston, Texas*

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- By communicating the old-fashioned way, by talking and listening to customers and employees, firms achieve new goals.

4806 Benefits Update:

- Employers' health-care costs; a high-court ruling; market reforms for small business; workers' comp premiums.

4807 Home Is Where The Office Is:

- Technology improvements have made the home office an effective workplace alternative.

4808 Trade Tide Rises Across The Pacific:

- The expansion of Asian economies has created a wealth of opportunity for U.S. firms.

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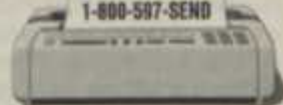
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Entrepreneur's Notebook

By Joel Kolen

Knowing When To Take A Breather

There was a time when my company's purchasing decisions were easy.

I could walk down the hall and ask a manager in sales if a price that had been quoted to me for, say, shrimp was a good deal. He could tell me off the top of his head. That gut-level instinct, combined with our intimate knowledge of the market—shrimp is always in high demand in December, for example—determined how we'd order.

From the day my father started importing frozen seafood in 1953, Empress International Ltd. has worked on that level—personal knowledge and the intuition of its employees—and in certain ways it still does. But as with any successful, growing business, there comes a time when the old ways no longer support the growth.

In the past few years, our seafood distributorship, in Port Washington, N.Y., has expanded dramatically. Sales jumped from \$64 million in fiscal 1992 to \$108 million in fiscal 1995, which ended in April. Our work force, meanwhile, has remained pretty stable during that time, with just five new employees bringing the total to 30.

While sales have been going great, we've found that uncontrolled growth can be dangerous. Our systems of operation, which had remained largely unchanged over the years, just weren't efficient enough to ensure sustained growth and continued success.

So my partner, Burt Faure, and I decided it was time for a breather. We decided to hold fiscal 1996 sales relatively steady while we updated systems and

equipment and established new structures to help us monitor growth and customer relationships more effectively.

Although it goes against the entrepreneurial grain to slow down, there are benefits in taking the time to make sure

amounts of time traveling to secure suppliers, we were ignoring analyses such as inventory vs. rate of sale. We expect that such data will make us more efficient.

We're also upgrading our physical operation, changing our plant's power source from electricity to natural gas—which costs less and will improve cash flow—and boosting storage capacity by about 25 percent. We also will increase our sales staff to accommodate plans for annual growth of 10 to 20 percent starting in fiscal 1997.

Aware that Burt and I must focus more on strategy, product development, and staff management—and less on day-to-day buying decisions—we are making personnel changes that will mean less traveling for us.

When Empress International was a \$64 million firm, it had pitfalls to avoid, but not as many as it has now that it has grown much larger. By

taking a break from growth and putting in controls such as those at a large company, an entrepreneur can ease the growth transition and ensure that the qualities that helped build the company don't get lost in the rush to fill new orders.



PHOTO: STUR SCROOK-BLACK STAR

Monitor growth and customer relationships to keep your firm afloat, says frozen-seafood importer Joel Kolen.

you aren't making mistakes or neglecting customer needs in favor of hasty expansion. By making sure everything is in place—strengthening the company's support system and shoring up potentially overburdened operations—an entrepreneur can ensure that the business coming in the door doesn't get lost in the shuffle. It's a lot more important—and more cost-efficient—to maintain a good customer than to try to attract a new one.

To that end, we're spending a great deal of effort and time on working more closely with our customers, helping them develop private labels or exclusive marketing programs. In addition, we've begun offering those customers—distributors, restaurant chains, retailers, and food processors—educational and marketing assistance, such as collateral materials and seminars for their sales personnel.

Internally, we have hired a chief financial officer to establish systems for analyzing and managing company data, the market, our inventory, and cash flow. Because we were relying on personal knowledge and were spending large

What I Learned

There are pitfalls to uncontrolled growth. Take time to make sure you don't lose your customers in the rush to get bigger.

Joel Kolen, president of Empress International Ltd., in Port Washington, N.Y., prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on running or starting a business are invited to contribute to *Entrepreneur's Notebook*. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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Dateline: Washington

Business news in brief from the nation's capital.

GOVERNMENT SPENDING

One Budget Battle Averted, But Others Lie Ahead

The big fiscal showdown between the Republican-controlled Congress and President Clinton may occur in mid-November—and the outcome could affect many small and medium-sized businesses.

The White House and GOP leaders put off a crisis when fiscal year 1996 began Oct. 1 by agreeing to a "continuing resolution." It enables the government to continue operating at minimum funding levels while Congress completes work on most of the required 1996 spending bills and the mammoth budget-reconciliation legislation. The latter measure would alter a variety of laws and tax levels so they would conform to the previously approved budget resolution aimed at eliminating the deficit by 2002.

But come mid-November, the president and the lawmakers could find themselves at a crisis point on three fiscal fronts.

The first could involve one or more of the required individual spending bills after they are approved by Congress. Clinton may veto several of them because they include deep cuts in programs he supports.

As of the Columbus Day recess in early October, Clinton had approved only one of the 13 appropriations bills—the one that provides for military construction spending—and had vetoed the spending bill for Congress' internal operations. He didn't argue with the funding levels in the legislative branch's budget, but he vetoed it as a way of chiding lawmakers for not doing "the

people's work" before their own, according to the White House.

The second crisis point could be over the details of legislative and tax changes in the budget-reconciliation bill. It is in this legislation that Republican leaders are expected to consolidate dozens of changes in government programs and tax provisions: Medicare and Medicaid reform; welfare overhaul; cutbacks in the funding and authority of scores of agencies; and the details of the tax cuts promised in the budget resolution.

On the tax table are extensions of a number of provisions now enjoyed by business, such as those for research and development. Also being considered are changes in other tax provisions, including making it easier for companies to tap into excess pension funds, which would bring in more revenue when those withdrawals are taxed.

Also likely to be included is a tightening up of the Earned Income Tax Credit for the low-income working poor, making the credit available to fewer individuals.

The third crisis point could develop over raising the national debt ceiling from its current \$4.9 trillion so the government could continue borrowing money to remain solvent after Nov. 15.

Deficit Spending: 26 Years And Rising

Fiscal Year	Annual Deficit	National Debt
	In Billions	
1970	\$ 2.8	\$ 380.9
1975	53.2	541.9
1980	73.8	909.1
1985	212.3	1,817.5
1990	221.4	3,206.6
1995*	192.5	4,961.5

The federal government has spent more than it has collected every year since fiscal 1970. During the 26 years through fiscal 1995, the national debt soared from \$380.92 billion to an estimated \$4.96 trillion.

SOURCE: EXECUTIVE OFFICE OF THE PRESIDENT

*Estimate

FOR THE RECORD

■ **Pay increases** for members of the largest postal workers' union were approved in early October by a federal arbitration board. The move has many observers expecting a future increase in the price of the first-class stamp.

About 365,000 employees of the American Postal Workers Union will receive pay increases over four years under the recently announced decision. The three-member arbitration board decided on the increases after talks between the U.S. Postal Service and its employee unions broke down last year.

The Postal Service, with more than 80 percent of its costs attributable to labor expenses, reacted by calling for legisla-

tive reforms that would eliminate mandatory arbitration of labor disputes and give the Postal Service more leverage in bargaining with its unions.

Many of those who follow postal matters closely, including a key industry newsletter, *Business Mailers Review*, are saying the wage increases will force the Postal Service to seek approval of a 35-cent first-class stamp by 1998. The stamp's price has climbed from 8 cents to the current 32 cents over the past 25 years.

■ **Employee work teams** to deal with issues such as worker safety and wages and benefits could be established by

Republican leaders also are considering adding the debt-limit extension to the reconciliation bill to force Clinton to sign the bill or veto it. A veto would risk having the U.S. default on its debts or force the Treasury to use other measures to meet obligations, such as borrowing from various government trust funds.

—James Worsham

employers under legislation recently approved by the House. The legislation now must be approved by the Senate.

Representatives voted 221-202 on Sept. 27 to amend the 1935 National Labor Relations Act to allow worker teams in nonunion firms as long as employers don't seek to negotiate or enter into collective-bargaining agreements with their employees. Currently, the labor law says it is an unfair labor practice for an employer to interfere with or to dominate the formation or administration of a labor organization, which the law defines broadly. (For more information, see "Giving Employees A Voice On The Job" in the September issue.)

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Managing Your Small Business

Getting help is academic; giving loan requests their best shot; marketing to create an identity.

By Roberta Maynard

EXPERTISE

Free Advice Program Is A Class Act

A program offering free business advice through colleges and universities turned out to be a winner for Dave Jerolmon, owner of a masonry distributor, Brick Yard Ltd., in Rock Hill, S.C. When he learned of the program more than a year ago, Jerolmon had split with his business partner. He had received the inventory, but he had no working capital and faced serious financial problems. Then he saw a newspaper ad for the counseling program, available through nearby Winthrop University.

The program, called the Small Business Institute (SBI) and begun by the U.S. Small Business Administration, provides long-term, in-depth counseling and technical assistance for small companies less than eight years old. (The program is not affiliated with the U.S. Chamber of Commerce Small Business Institute.)

Under the program, teams of graduate and undergraduate business students, with faculty guidance, work with business owners to develop practical solutions to their business problems. About 500 colleges and universities and 6,000 small businesses have participated in the program since it was established 23 years ago.

For five months, Winthrop business students developed a blueprint for Jerolmon's business, spending many hours on-site. One of their immediate recommendations—which Jerolmon agreed to—was to move the business from its location



PHOTO: EDUARDO HALL

Brick-company owner Dave Jerolmon, right, surveys his South Carolina firm's new location with Winthrop University business professor Nathaniel A. Barber, whose students recommended the move.

behind a convenience store to someplace with better access and visibility. The students estimated the costs and asked Jerolmon's clients for their suggestions for better locations.

Other recommendations helped Jerolmon reduce his inventory to free up cash, use displays and signs to advertise, and hire a sales representative. The company's sales rose from \$625,000 in fiscal 1994 to \$1.3 million the next year.

"This program offers something good for all small businesses, even ones not in trouble, because small businesses don't always look at the full picture," says Jerolmon. The students, meanwhile, benefit by gaining experience helping actual companies and acquiring an understanding of the challenges facing small firms.

For information on the program, contact your SBA district office or local college.

—M. Courtland McBryde

FINANCING

Assembling A Persuasive Loan-Request Package

Even if you have convinced a loan officer that you're a good credit risk, the effort may be in vain if he or she doesn't do an equally good job of convincing others in the lending organization. To communicate directly with the ultimate decision makers, you need to provide a written loan-request package and assemble it with an eye toward making the lender's job as easy as possible.

Authors Kate Lister and Tom Harnish say in their new book, *Finding Money: The Small Business Guide To Financing*: "A loan-proposal packaging approach we've seen used all too often is the shopping-bag-

and-shovel approach, where you give them every piece of paper you've ever created in your business, in no particular order, and let them figure it out."

A method that's far more popular—and successful—with lenders, say the authors, is submitting a proposal that communicates everything they need to know about you, your business, and your creditworthiness.

A good package is organized, complete, and also unbound, so copies can be made easily. A summary of the proposal, two to four pages long, should enable the lender to quickly determine the following:

- The amount you want to borrow.
- Whether you want a term loan or a line of credit.

- What the funds will be used for.
 - The length of the repayment period.
 - The source of repayment.
 - Available collateral and guarantees.
 - A summary of past, present, and projected financial performance and ratios.
- ("How To Write A Business Plan" and five other articles on the subject are available as a package of reprints titled "Strategic Planning For Small Business." To order, see Page 72.)

For more on sources of funds, how lenders operate, and how to persuade them to lend to or invest in your business, see *Finding Money*, a 243-page, \$17.95 softcover available at bookstores or from the publisher, John Wiley & Sons; 1-800-225-5945.

MARKETING

Setting Your Product Apart From The Others

Product differentiation. It sounds like a good strategy, but how do you achieve it, especially if you're a small, unknown company competing with giants the likes of Coca-Cola or PepsiCo?

One approach is to strive for uniqueness—or, in the case of a new soft drink called Zydekola, weirdness.

The drink came about unintentionally, says its creator, Robbie Robertson, a product developer and former advertising executive, when he jumbled some ingredients while making himself a cup of coffee late one night.

Starting with the product's name (taken from Louisiana dance music called zydeco), to graphics, display, and marketing, the developers of the coffee-cola concoction are pushing a weirdness theme that they hope will create a unique identity.

The weird design of the can, approved by focus groups, suggests motor oil more than soft drink. And an advertising tag line proclaims: "Nothing's Weirder Than Zydekola."

The drink is being marketed under a joint arrangement involving four advertising agencies. Design and distribution are being handled by InterBevNet, a Dallas corporation owned by the cooperating agencies.

InterBevNet's plan is to set the drink apart initially by keeping it off crowded

store shelves—where space is expensive—and instead offering it in barrels of ice at checkout counters in convenience stores and supermarkets. The target market is men 18 to 39; research shows they buy for immediate consumption and want their drinks cold.

a similar product from Pepsi called Maza-gran, which debuted in August in Starbucks coffee stores in Santa Monica, Calif.

"To be as unique as possible, to get attention in every way, to find distribution that is different from the mainstream—that's the way to gain acceptance," says



PHOTO: T. MICHAEL KEZA

The marketing theme is intentionally weird for Zydekola, a coffee-cola drink that Robbie Robertson, its brand manager, developed unintentionally while making coffee one night.

Extensive product sampling in several markets will be used to introduce the new taste to consumers.

Zydekola is scheduled for test marketing in Louisiana and in Vancouver, British Columbia, this fall. If all goes well, Zydekola will compete head to head with

Ernie Capobianco, Zydekola spokesman and chief financial officer of the Valentine Radford ad agency in Kansas City, Mo., one of the partners in InterBevNet.

Another part of the strategy is willingness to make last-minute changes, he says. "There are giants out there that will squash us," says Capobianco. "We've got to be smart about how we do things and be flexible to take advantage of opportunities."

Nothing weird about that.

CUSTOMER SERVICE

Making The Most Of Voice Mail

Most of us know the frustration of trying to navigate a voice-mail system that isn't easy to use.

To ensure that your system communicates effectively with clients and customers—and doesn't put them off—try these tips from *Telecom Made Easy* (Aegis Publishing Group Ltd., \$19.95). The book is by June Langhoff, an editor and writer specializing in telecommunications and technology. Among her suggestions:

- Encourage callers to leave a detailed message rather than just a name and number. This helps you expedite the return of information.

- Use an alternative greeting after hours and on weekends. Give your regular business hours and, if applicable, an emergency contact number.

- Change your greeting frequently, noting whether you are simply out of the office for an hour, for example, or are gone for two weeks. This tells the listener that you stay up-to-date on your voice mail.

- Keep the greeting short and businesslike.

- When recording a message, watch out for background noise, which can suggest an unprofessional operation.

- Check in regularly. Don't give the appearance that you are hiding behind your voice mail.

Telecom Made Easy offers a basic but thorough guide to phone systems and services, cellular phones, answering devices, paging, on-line services, modems, faxes, and networked systems. The book is geared toward home businesses, telecommuters, and small firms. To order, call 1-800-828-6961.

NB TIP

Stepping Up Productivity

Sitting behind a desk for eight hours is no guarantee that you will be your most productive, says Roger Flax, president of Motivational Systems Inc., a management-training firm in West Orange, N.J. The next time you need to talk things over with a colleague or ponder a problem, take a walk. Whether it's up and down the hallways or around the block, the increased blood flow from walking can help clear your mind and focus your thinking, says Flax.

You'll have the added benefit of no interruptions—provided you leave the cellular phone behind.



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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Garfield Gets A Home

By Laura M. Litvan

Garfield, that lazy, cantankerous cat who has graced the funny pages for 17 years, likes to say that his favorite sport is a brisk nap. It may seem contradictory, then, that for most of his life the feline with a penchant for the great indoors was also a stray.

Born under the hand of Indiana cartoonist Jim Davis, Garfield was actually owned by New York-based United Media, the syndicate that bought the comic strip in 1978. This meant that whenever a manufacturer wanted to use Garfield's likeness on a

product, Davis didn't have the final say and got only a cut of licensing royalties.

But in May 1994, Davis purchased worldwide ownership of Garfield, bringing his lucrative creation home to the scenic farming community of Albany, Ind. There, Davis presides over a 55-employee company called Paws Inc., which negotiates with licensees and attends to the creative work associated with not only the comic strip but also licensed products, television specials, and books.

Davis, 50, says he never expected to be a

business owner. His cartooning career began in 1969 with a nine-year stint as an assistant to *Tumbleweeds* creator Tom Ryan. He started his own comic strip on the side about a character named Gnorm Gnat, but after five years of trying to sell a bug-based feature to a syndicate, in early 1978 Davis drew a giant foot that fell out of the sky and dispatched Gnorm.

Canines were well-represented in the comics pages, so Davis decided to base a new feature on a cat. Garfield was born and sold to United Media a few months later.

A few years later, there was demand for Garfield's likeness on products. Davis believes the appeal stemmed from Garfield's unapologetic desire to do little more than eat and sleep. "We live in a time when we're made to feel guilty about overeating and oversleeping and things like that," Davis says. "Garfield defends his right to do those things. Not only did readers love him as a cat, they loved him for what he stood for. As a result, they wanted his sentiments on coffee mugs and T-shirts. He could speak for them—things they didn't have the courage to say."

While United Media handled the business side of licensing ventures, Davis launched Paws in 1981 to prepare artwork for each product that United Media licensed.

Initially, he says, he felt outside ownership of Garfield was a plus, because Paws could focus on creative matters. But over time, as he and his employees learned more about the licensing business, Davis wanted full control. He says he wanted more focus on the growing demand for licensed apparel. He also wanted to forge longer-term relationships with licensees to ensure Garfield's stability in the industry.

Davis declines to disclose Garfield's purchase price, but *Editor & Publisher*, a media industry magazine, quoted sources last year who estimated it at \$15 million to \$20 million.

When Davis bought the rights, he also switched syndicates. Universal Press Syndicate of Kansas City, Mo., now distributes the comic



Indiana cartoonist Jim Davis never expected to run a business, but Garfield made him do it.



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MAKING IT

strip to 2,550 newspapers.

Paws is based in a 36,000-square-foot business center and art studio built in 1989. Davis financed the construction with licensing royalties that flowed in during the mid-1980s when motorists across America affixed stuffed Garfields to car windows. Despite a greater focus on business matters these days, Davis keeps the workplace informal. At Paws, every day is casual day.

Besides working to boost the number of apparel licensees, Paws is trying to link

Garfield with pet-related products. The company is also going after foreign markets—particularly Canada and the Pacific Rim, where consumers are drawn to products linked to American cartoon characters.

Licensees say Davis likes to be involved in the design of the products that will bear his cartoon creation. "Davis wants to do each product as well as he can, whether it's a T-shirt or a major promotion," says Bob Lucas, vice president of Garment Graphics Inc., a Mountain View, Minn., firm that makes T-shirts and sweatshirts.

While some licensed characters maintain strong consumer interest only for a year or so, Garfield is regarded as a "classic" with staying power, says Karen Raugust, executive editor of *The Licensing Letter*, a Brooklyn, N.Y., publication.

Davis says that's exactly how he wants Garfield to be perceived, because Paws' success hinges on the longevity of one character's appeal. If he had to express his business philosophy in one sentence, he says, it would be this: "If we take care of the cat, the cat will take care of us." ■

Bird-Watcher Boutique

By Dorothy Elizabeth Brooks

Nature enthusiasts Richard and Nancy Cole wanted to find out why birds weren't eating the seed they put on the back porch of their Marietta, Ga., home back in the late 1970s. They were astonished to learn that most commercial seeds had little to do with what birds like to eat. Some packaged birdseed contained grass seed or feed and grain for livestock. "The misconception is: If it's a seed, the birds will eat it," says Richard, 51. "They really don't. They are very picky."

The Coles started making their own food based on research, and the birds came. Friends noticed the plethora of birds in the couple's back yard and began asking for the home-made seed. By 1983, the Coles were selling their seed to local hardware stores and making home deliveries on weekends. They also began researching and selling feeders, developing a reputation as the local experts on feeding and attracting birds.

The growing popularity of the couple's offerings convinced them that a retail store specializing in items for confirmed bird-watchers would be a success. They spent two years perfecting their plans and trimming personal expenses so they could live on Richard's income alone if necessary in the early stages of the business. But they repeatedly were turned down for loans; bankers didn't seem to understand the concept.

Dorothy Elizabeth Brooks is a free-lance writer in Marietta, Ga.

"We still get this look of amazement when people see this whole store for bird-watchers," says Richard. "People can't think of anything besides a bag of seed and a feeder—a store with two items in it. And that is what the bankers saw. It didn't mean a thing to them."

Finally, using their home as collateral,

lars, and gift items on nature and conservation. Within two years, Richard had left his data-processing job to open two more Atlanta-area stores, in Roswell and Duluth.

The Bird Watcher Supply Company now has 12 employees, about half of them full time, and it grossed \$1.4 million in 1994. A second company, Cole's Wild Bird Products, which handles their seed-making and packaging operation, grossed \$750,000 supplying birdseed to retailers and distributors in the Southeast in addition to the Coles' own stores. It has eight full-time employees and is operated by Richard's daughter, Elaine Cole, 29.

Richard credits their success to meticulous planning and to the couple's willingness to pump all profits back into the operation, fueling constant improvements. Nancy, 41, says timing was critical in the firm's early growth: "People were beginning to get interested in the outdoors, and bird-watching is an introduction to the environment."

The Coles also point to the stores' unique layout. "I tried to make displays that showed customers how to use the products and in what context," says Richard. "Instead of putting a birdbath out there on cement, I created a garden area inside the store."

Though the Coles now have at least two direct competitors in the Atlanta area, their sales continue to grow. They opened a franchise in Macon, Ga., and they are cautiously deliberating further growth.

"As you get bigger, you get more and more removed from what you got into the business for; you get more and more removed from birdseed and how to attract birds," says Richard. "We may be a bit conservative, but I know if I don't put out three or four franchises this year, I can put them out next year." ■



Nature lovers Richard and Nancy Cole found a niche for their Bird Watcher Supply Company when they found what birds really like to eat.

the Coles obtained a \$30,000 loan through a banker who shared their interest in ecology and birds. Nancy quit her banking-administration job to devote full time to the store, the Bird Watcher Supply Company. It opened in Kennesaw, an Atlanta suburb, in 1988.

The Coles never needed to spend the entire \$30,000. In its first year, the Bird Watcher Supply Company grossed \$200,000 selling everything from birdhouses, birdbaths, feeders, and seed to books, binocu-

MAKING IT

Restoring History

By M. Courtauld McBryde

When President Clinton, South Korean President Kim Young Sam, and more than 100,000 people, including veterans and their families, attended the dedication ceremonies in late July for the Korean War Memorial in Washington, D.C., entrepreneurs Patricia Ghiglini and Reinaldo Lopez experienced tremendous pride. Their company, Professional Restoration, Inc. (PRI), under a subcontract, had built the monument's free-standing granite memorial wall and circular reflecting pool. "We took part in history in building the Korean War Memorial," says

post at the Spanish Embassy in Washington. Three years later she returned to school, majoring in psychology at George Washington University, in Washington, and she received a master's degree in 1981.

Ghiglini was a family therapist in Montgomery County, Md., when she met and married Reinaldo Lopez, a stone carver, sculptor, and master restoration specialist from Spain. He had come to the United States after attending the School of Fine Arts in Paris and Italy's Pietro Santra school of art. He also had studied independently under some of Europe's most re-

she found a call for bids to construct two entrances for the disabled at the Smithsonian Institution's Visitor Center, a landmark known as the Castle.

The job involved working with Seneca sandstone, a delicate, multilayered stone. Because of the Castle's historical significance, says Ghiglini, "it was critical that the stone be perfectly cut and carved to match the existing building stone."

Since PRI, their start-up firm, had no track record, Ghiglini offered a "free sample"—Lopez would actually do a small portion of the job—to convince the Smithsonian that PRI could do the whole project. By doing the demonstration and submitting the lowest bid, PRI clinched its first contract—a \$200,000 job.

After being rejected on five loan applications for funds to buy supplies, the couple obtained an unsecured \$10,000 line of credit from Hispanic-owned Capital Bank, in Washington.

To find qualified people to do the project's restoration work, PRI devised a four-year youth apprenticeship program. Lopez taught a wide range of skills, including assessing monuments, diagnosing problems, making molds, and carving or reproducing parts for buildings.

After PRI secured its second contract—a project at the Freer Art Gallery, also in Washington—Ghiglini quit her job as a therapist and returned to George Washington University to take classes in business, management, and construction.

Among the company's most notable projects was the rehabilitation of the lobby of the Washington Monument.

PRI is also restoring a 90-year-old Italian mosaic floor in Bancroft Hall at the U.S. Naval Academy, in Annapolis, Md. The job entails fabricating 15,000 small marble pieces custom-cut from individual molds.

In 1994, Ghiglini, president of PRI, was named National Businesswoman of the Year by the U.S. Hispanic Chamber of Commerce, and PRI was named a Blue Chip Enterprise for the District of Columbia in the Blue Chip Enterprise awards program, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. The program honors firms that have overcome adversity and become stronger.

With PRI now established as a regional company, Ghiglini and Lopez—both now American citizens—have larger ambitions. "Within the next five years," says Ghiglini, "our goal is to be known as the best restoration company nationwide."



PHOTO: JOHNNIE BRACK—BLACK STAR

Prestigious jobs landed by Reinaldo Lopez and Patricia Ghiglini include restoring a 90-year-old Italian mosaic floor at the U.S. Naval Academy, in Annapolis, Md.

Ghiglini. "It is a hard feeling to describe, but it is an honor for us, especially being foreigners."

PRI provides restoration, repair, and maintenance services for historical buildings, monuments, and sculptures. The company has grown to 25 employees from a two-person start-up in late 1988, and it expects revenues of \$2 million this year. It is headquartered in Washington.

Originally from Peru, Ghiglini was vacationing in the United States in 1977 when she learned of—and landed—an accounting



nowned sculptors, including Henry Moore and Alberto Giacometti.

When Lopez began working in the U.S., he concentrated on sculpture, but he grew disillusioned with the business side of art when he was forced to take legal action against a gallery on grounds it had not paid him for work it had commissioned. Ghiglini encouraged him to look in other directions. In *Commerce Business Daily*, a publication that advertises available federal contracts,

M. Courtauld McBryde is a senior English major at Davidson College, in Davidson, N.C.

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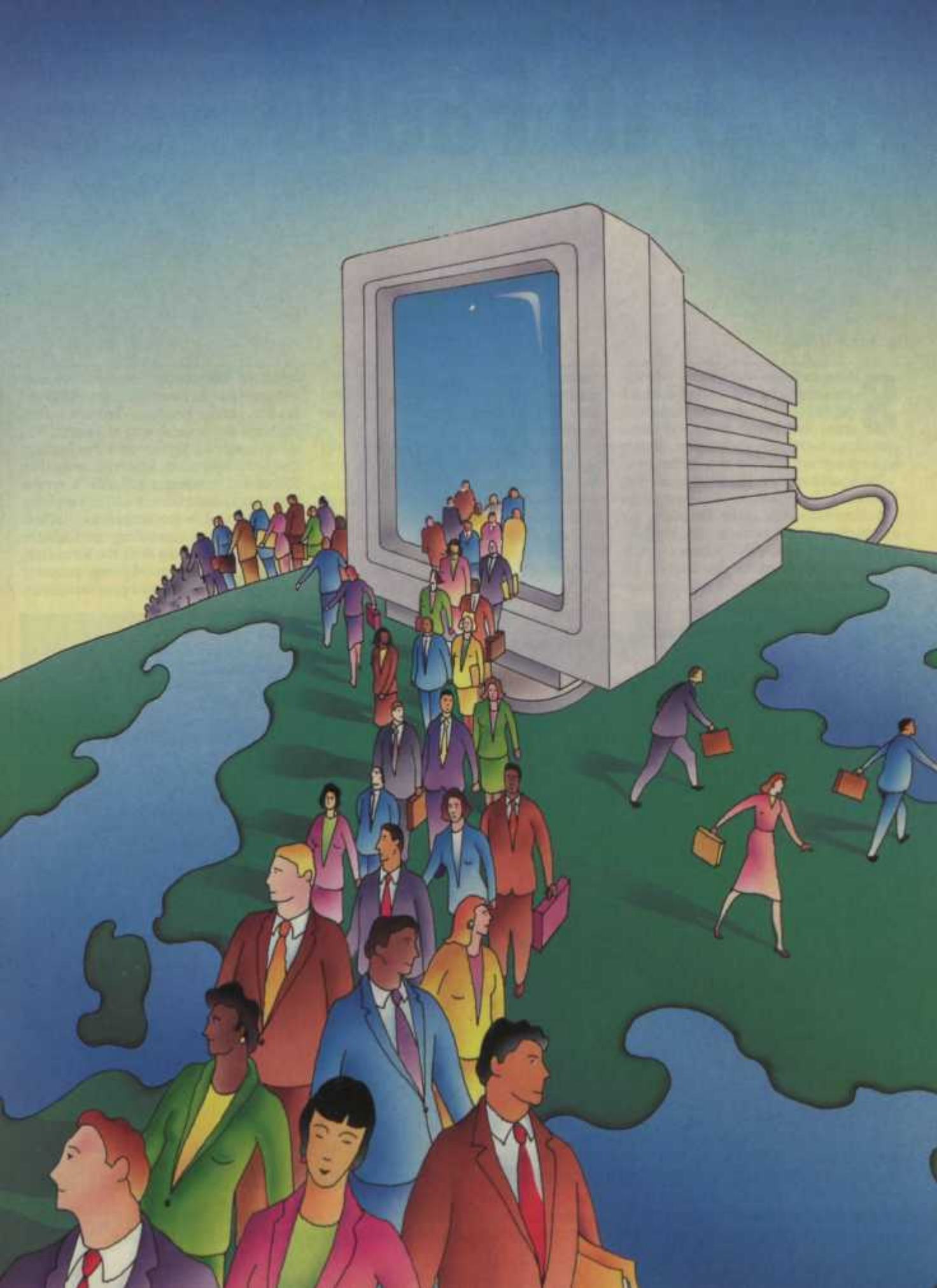
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COVER STORY

Face To Face

By Sharon Nelton

Some business owners and managers seem to have a special knack for getting their messages across in ways that enable them to build a company, turn one around, or simply make it a smooth-running operation.

Take James A. Berluti and Ted Kauffman, for example. A dozen years ago, they set out to make a mark in the overnight-courier industry. Today, their Boston-based company, Eastern Connection, has operations on the East Coast from Maine to Virginia and employs more

than 300 people. Throughout its rise, Eastern Connection has emphasized close links with its widely scattered employees to build a team atmosphere.

The company expects sales of \$27 million this year. By the year 2000, says Berluti, the company's president, sales could reach \$100 million. And that, he says, is "not pie in the sky."

When Dory Parker took over as manager of the Sunrise at Queen Anne Retirement Home in Seattle in late 1991, the 124-unit rental community was on the

brink of bankruptcy. A group of new owners had purchased the four-year-old facility, and Sunrise Terrace, Inc., Parker's employer, based in Fairfax, Va., got the contract to manage it. Parker says the home had never achieved more than 75 percent occupancy and was "a consistent money loser."

Parker took some aggressive steps to turn it around, including getting the home's employees to shift the focus from their original charge of being property managers to a new one: being caregivers.



PHOTO: RICHARD HOWARD

Listening to customers and employees has helped Ted Kauffman, left, and Jim Berluti grow their Boston-based courier service, Eastern Connection, to annual sales of \$27 million. Employees came up with the "Driven to Deliver" motto.

By communicating the old-fashioned way—through talking and listening to customers and employees—companies are achieving new goals.



Ten months after the purchase, the home was fully occupied and had a waiting list. Sunrise at Queen Anne expects revenues of \$2.5 million this year, and it has been profitable for the past three years.

Meanwhile, Stephen L. Taglianetti was facing a different challenge. A former executive in the home-health-care industry, he had been hired as president and chief operating officer of Alga Plastics Co. in July 1993 with the assignment to bring the company up to speed. "The marketplace was changing," says Taglianetti, and

the firm's chairman, Gregory T. Parkos, "wanted to ensure that the company would continue to thrive."

The Cranston, R.I., company, a "thermoformer," produced packaging from heated plastic, primarily for the jewelry industry. But Parkos felt the future was not in jewelry packaging but in disposable packaging in the medical and electronics industries. He also wanted to move the company into the global marketplace.

Quality "was second tier at best" when he arrived, says Taglianetti, and

deadlines were being missed, Alga was raising its prices without warning, and "mediocrity was the norm." Customers had begun to drift away, and Alga's employees didn't seem to understand why.

But Alga is back on track now, with a new attitude that makes customers and quality its highest priorities. It has reduced employees from 75 to 50 but

has increased sales—\$8.4 million in fiscal 1995, compared with \$7.8 million last year. The plant has been refitted to serve the electronics and medical industries, and in its move to go global, Alga is already doing business in Mexico and is going after customers in other countries as well.

How did these business owners and managers do it? Through communication. With a variety of tools—especially effective talking and listening—they communicated with customers and others who had an interest in the company. But most important, they communicated with employees.

Communication consultants TJ Larkin and Sandar Larkin state that "communication should have one goal: improving performance. It should change the way employees do their jobs." The Larkins detail their views in their book, *Communicating Change: Winning Employee Support for New Business Goals* (McGraw-Hill, \$22.95).

"Communication, to me, is the process in which people become more common—that is, more alike in terms of attitudes, beliefs, behaviors, and values than they were before," says Randall P. Harrison, a San Francisco communication consultant.

James Wong, who owns Wong & Associates, Inc., a lumber wholesaler in Oak Brook, Ill., says he uses communication to "get everybody on the same path, marching in the same direction."

Communication means more than just sending messages or providing information. Under the old model of communication, Harrison says, the leader analyzes the situation, trains people, gives them orders, and motivates them. But he says researchers are finding that a more effective approach may be for the leader to set a clear goal, indicate why it's important ("we'll go out of business if we don't meet the target"), and demonstrate that it is feasible ("another company is doing it").

"Then [the leader] goes away and lets people use their ingenuity and their team-



PHOTO: GREGG HARRIS



An open environment is the goal of EC's Kauffman and Berluti, top. The firm's human-resources director, Roberta Chinsky, left in lower photo, and Sharron Motley, office-services coordinator, review material for "Shoot for the Stars," a team-building program.

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work—communication among themselves—to solve the problem," says Harrison. The leader returns later to give them feedback on whether the solution works.

It sounds simple enough, but it's hard to do and is getting even harder because of the new challenges facing today's businesses. Communication specialists Donald P. Cushman and Sarah Sanderson King have coined the term "high-speed management" to describe the kind of management that has emerged to deal with today's turbulent economic environment—one of rapid technological change, restructuring of national and international economies, quick market saturation, and intense competition.

"In the final analysis it is the innovative, adaptable, flexible, efficient, and rapid use of information and communication which allows an organization to reorient rapidly and successfully in a volatile business environment," say Cushman and King in their book, *Communication and High-Speed Management* (State University of New York Press, \$19.95).

While Cushman and King aim their book at larger businesses, smaller companies may find that to win and keep the business of larger firms, they need to be tuned in to those customers' needs and problems. Says Alga Plastics' Taglianetti: "What some of the customers told me was that they resented having to do business *our* way—that we weren't flexible enough to be able to do business *their* way."

Here's a sampling of business owners' new challenges and the communication problems they present:

Increased globalization. Jim Wong, who was born in Shanghai, China, says he understands how to do business in Hong Kong—where he ships lumber—because he is familiar with the culture. "For example, when they say 'yes,' that doesn't mean yes, they'll give you an order. They mean yes, they understand what you're talking about."

But Wong has run into some communication land mines in other parts of the world

where he is unfamiliar with the language, the culture, and the business practices. For example, in late June he understood from a supplier in Cameroon, on the western coast of Africa, that lumber he had ordered was "ready" and that it was urgent for him to go to that country to see it. He went, only to



Lumber wholesaler James Wong of Oak Brook, Ill., encourages Marilyn Nuter and other employees to critique his own performance.

find that the lumber was not ready to ship but that the supplier was getting ready to cut it. He felt that he had made the trip for nothing.

Increased diversity of the work force. There are more women in the workplace than ever, and there are greater numbers of minorities and immigrants at many businesses. Linguist Deborah Tannen of Georgetown University, in Washington—in her book *Talking From 9 to 5*—explores the conversational styles of men and women and shows how they hinder or enhance communication in the workplace.

But gender is not the only issue, she cautions. "Each individual has a unique style, influenced by a personal history of many influences such as geographic region,

ethnicity, class, sexual orientation, occupation, religion, and age—as well as a unique personality and spirit."

Far-flung operations. Even many of the smallest companies have to find ways to stay connected to employees who are off-site—from traveling salespeople to telecommuters. For example, Eastern Connection, the Boston-based courier company, has offices in 17 locations, and Wong & Associates has facilities not only in Illinois but also in Missouri and Oregon. Under such circumstances, employees can feel cut off from the nuances and even major shifts that may occur at headquarters if communication is not frequent and effective.

"People think that technology will institute communication. It will not," says Mike Greene of Greene, Hollister, Inc., a Boca Raton, Fla., management consulting firm. "They think the e-mail is going to make communication occur when they don't tell people things to start with."

To compete in today's world, a company has to have its communication house in order. The best communication, it appears, is still very personal—it's face to face and involves a lot of talk and a lot of listening. In other words, conversation. And it's not something to pay attention to just in times of crisis—it needs attention every day, say communication experts Peter A. and Susan R. Glaser of Eugene, Ore.

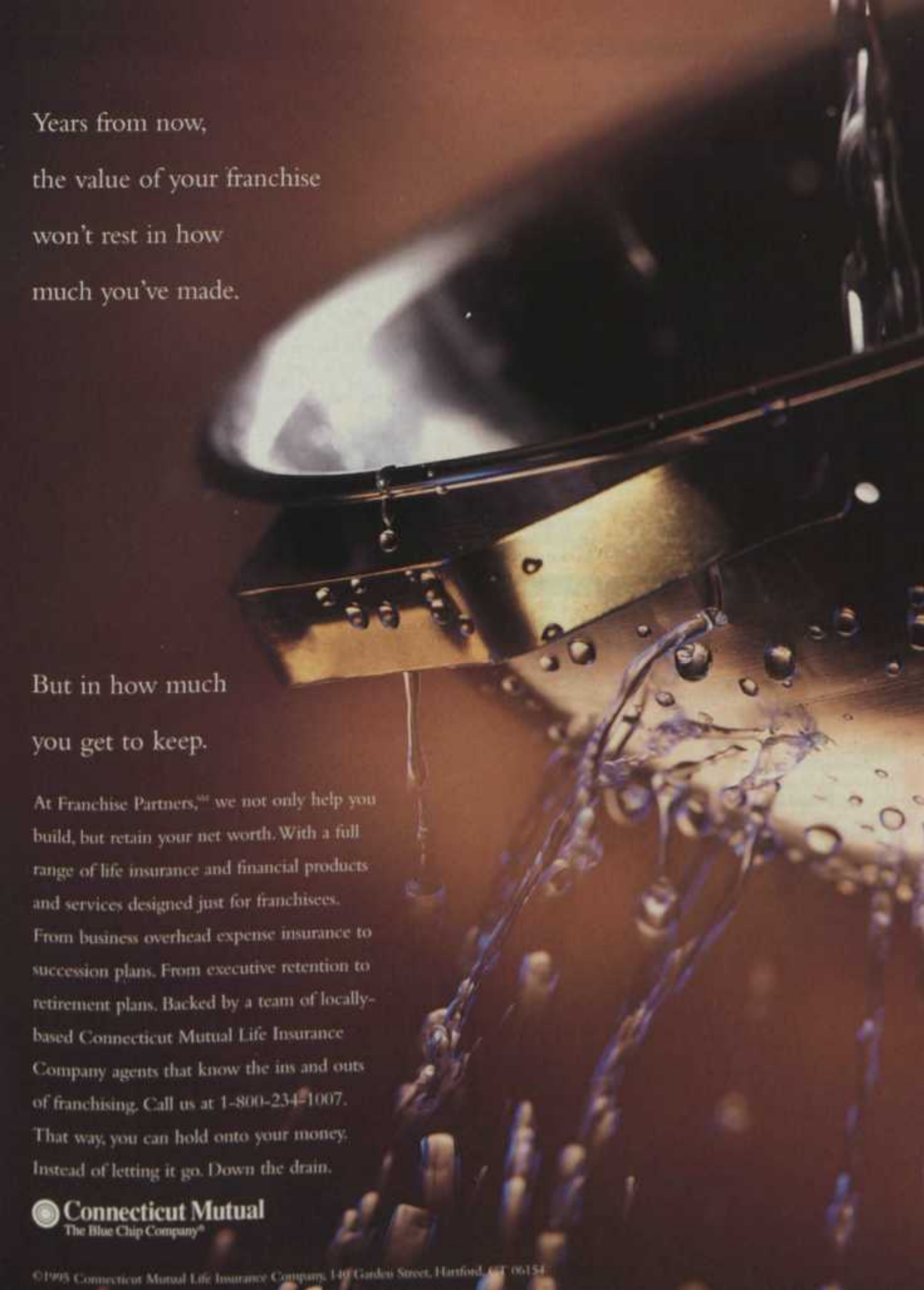
A Textbook Case

The approach to communication by Alga Plastics' Taglianetti could serve as a textbook example of using face-to-face communication deftly to solve business problems. One of the first things he did at Alga was to start traveling with salespeople to visit customers. That helped in two ways: It gave him what he calls "windshield time" with sales staff, so he could get their take on the company's strengths and weaknesses; it also gave him an opportunity to find out directly from present and former customers what they liked and disliked about Alga.

On his return, he had a meeting with all the employees about what he had learned. Contrary to their belief, customers were dissatisfied. They felt that quality was lacking and that dealing with Alga was frustrating—sometimes customers had to wait days for decisions simply because a manager was not in the office.

"I didn't hold back from the employees," Taglianetti says. "I let them know exactly the industry changes that [the company chairman] and I foresaw and exactly what we anticipated that we needed to do to turn the company around and position it to be in a leadership position."

He set a new goal: Put the customer first. And he ordered that employees be permitted to make decisions on the spot, without



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fear of retribution, so that customers would not be kept waiting. He issued a mandate: If a product isn't right, don't ship it. And the company began to communicate regularly with customers about pending price increases and other matters.

When Taglianetti joined Alga, some employees didn't take the effort seriously. But they began to see that "to secure their futures, they needed to jump on board, and they did," he says. "They're behind me now."

Creating Community

Eastern Connection relies heavily on employee input and feedback to move the company forward. For example, a program created by employees, called "Shoot for the Stars," has enhanced communication among workers throughout the company's far-flung offices this year. It enables one employee to send another a "star" for, well, stellar performance.

Shooting a star—actually a form describing what the recipient did to deserve it—offers one employee the opportunity to say thanks to another in a way that gets recognition in the company.

"It has really built a strong team environment, which we feel we have to have to succeed," Jim Berluti says of the program.

A group of employees from all levels of the organization has also been designing a "success-sharing" program. Under the plan, employees will share some of the money saved through cutting costs and increasing revenue.

One benefit, says Roberta F. Chinsky, EC's director of human resources, is that team members now know the business "very intimately" because of their participation. When it's time to roll out the program, probably in January, it will be the team members, not the president, who will explain it to other employees. As for Berluti, Chinsky says with a laugh, "We have to explain it to him."

Changing Direction

At the Sunrise at Queen Anne Retirement Home (named for a section of Seattle), manager Parker used a survey of residents as an initial step to learn what improvements they would like to see. And she acted immediately on as many sug-

gestions as she could, including enclosing a breezeway, installing additional handrails, and making signs more "user-friendly" and attractive.

The survey process, along with Parker's responses to it, proved to be an effective communication tool, enabling her not only to improve the home in ways that would attract additional tenants but also to begin gaining the trust of the residents and help them overcome their anxieties about the new owners.

The new mission, says Parker, "was to provide an environment that helped seniors remain independent." She wanted to retain as many of the home's 30-plus employees as she could, because the residents had grown attached to them. She lost only three, who could not adjust to the new direction she set, she says.

To convey the idea "that every employee is important and is a vital part of marketing," Parker says, "we gave them all business cards," no matter what their function. "We said 'Give them out!'"

That message was reinforced by an unusual reward system. Goals for occupancy were set, and each time a new level of occupancy was achieved, all the employees—including the part-timers—received a bonus.

Parker and her staff continue to nurture communication with residents. The company seeded a residents' advisory council with \$200 and uses its input for many of the decisions made at the home. And if Parker learns that a resident's family members are unhappy with anything about the home, she invites them in to discuss it.

Further Communication

Following are some of the many additional resources on the basics of communication and the latest thinking in the field:

Books

Communication and High-Speed Management, by Donald P. Cushman and Sarah Sanderson King (State University of New York Press paperback, \$19.95). Its insights into large corporations can be valuable for smaller firms that want to become or remain those companies' suppliers.

Communicating Change: Winning Employee Support for New Business Goals, by TJ Larkin and Sandar Larkin (McGraw-Hill, \$22.95). This book is about helping large companies manage change, but its principles are valuable to small firms, too.

Talking From 9 to 5, by Deborah Tannen (Avon paperback, \$12.50). How people's differing conversational styles affect what gets done at work.

Frames of Reference: How Men and Women Can Overcome Communication Barriers—and Increase Their Effectiveness at Work, by Carol Rudman (Petersen's/Pacesetter, \$22.95).

The Art of Communicating, by Bert Decker, a workbook for developing communication skills, and *50 One-Minute Tips to Better Communications*, by Phillip E. Bozek, with ideas for meetings, presentations, and business writing, are \$9.95 each from Crisp Publications; 1-800-442-7477.

Other Media

"Thriving on Conflict," a four-part audiocassette series presented by Peter A. Glaser and Susan R. Glaser, is \$48.50 from Glaser & Associates, Inc., 975 Oak St., Suite 910, Eugene, Ore. 97401; (503) 343-7575.

"The Value of Diversity," a two-part kit with a handbook on communication, is free from the Olsten Corp., a staffing-services company. Call Phil Radin, manager of print production, at (516) 844-7566.




Author Deborah Tannen explores the topic in *Talking From 9 To 5*.

You can tell when communication is awry. Employees start leaving early, and it becomes a pattern, say Mike Greene and his partner, Mike Hollister. Or employees begin behaving irresponsibly, even though you've done a good job of hiring. Or you continually find out about problems when it's too late to fix them.

You can also tell when communication in a company is effective. If people come to you with problems, they also suggest solutions, say the Glasers. They leave meetings energized.

In a communicative environment, most experts say, employees feel safe in expressing themselves. And there's not only "problem-solving communication" going on but also chitchat and banter, adds Peter Wylie of Washington, D.C., a partner in a consulting firm called Performance Improvement Associates. These are important, he says, because they are signs "of morale, of happiness, of enjoyment, of satisfaction."

Following are some ways that experts



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Real SOLUTION
Instant access to
inventory data

Real RESULTS
Faster shipping, reduced
inventory risk

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PHOTO: SCOTT BRADSHAW/BLACK STAR

say you can improve communication in your company:

Appeal to the interest of the receiver. "To be noticed," the Larkins write in their book, "communication must contain something that interests the receivers; to change behavior, it must touch one of their values. Not what interests CEOs, not what touches CEOs, but what interests and touches front-line employees."

Alga Plastics' Taglianetti learned that the employees didn't understand the company's employee stock ownership plan, so he brought in a consulting firm to explain it.

When residents Jim and Opal Olson suggested enclosing this breezeway at the Sunrise at Queen Anne Retirement Home in Seattle, manager Dory Parker, left, took action.

Once the employees realized that they owned 49 percent of Alga Plastics and that their fortunes improved as the company improved, their performance improved.

In the past year or two, says Taglianetti, his employees have worked "a lot smarter, a lot harder, and a lot more efficiently."

Listen in new ways. For "breakthrough results," you have to get past the automatic listening that we all do, says Barbara J.

Fittipaldi, a partner in the Generative Leadership Group, a management-development consulting firm based in Somerville, N.J. This means overcoming the underlying assumptions and evaluations that color what you hear. When someone proposes an idea, for example, don't start thinking about whether you like it or not and asking how it can be done or who's going to do it. It's too soon. Instead, advises Fittipaldi, ask questions that enable you to "think outside the

Pathways To Understanding

Communication in a family business can be even trickier than in other businesses. There are all the problems found in other types of companies plus the complication of family dynamics that may extend back many years, say Peter A. and Susan R. Glaser, communication and management consultants based in Eugene, Ore.

People in a family business may act toward each other as they did years ago at home, following "patterns of communication that have evolved over years—even decades—of encrusted repetition," say the Glasers, a husband-and-wife team.

This results in what the Glasers call "selective perception," in which we "selectively pay attention to behaviors that confirm our theories of what we think our family member is like [and] ignore examples of behavior to the contrary."

Susan recalls a family business in which one member was regarded by the others as always being insulting. The Glasers asked for an example, and someone in the family said, "I came in today and he said, 'My, you look nice today.'" Puzzled, the Glasers probed for more information, and the family member said: "Don't you get it? 'My, you look nice today!' He was trying to tell me I looked [terrible] every other day."

Says Peter: "It's an interesting example because it shows how even a compliment can be converted and distorted into a slight or a negative hit."

Like other businesses, family firms have their "unspeakables," or issues that remain unstated.

A common unspeakable in family firms is the matter of succession—who in the next generation will take Mom's or Dad's place



PHOTO: SCOTT BRADSHAW/BLACK STAR

Communication gone awry is demonstrated in a role play by Susan and Peter Glaser.

at the helm of the company. In one family, the Glasers found, the children felt that they could not raise the subject with their father because they feared he would feel they were

box"—such as, "What would that allow for?" and "What could that provide?" That will stimulate creativity, she says.

Aim for effective discussion. The leader of a meeting can set the tone, consultant Wylie says, by describing a problem and then saying, "What are your thoughts?" The problem gets explored, with people offering their views on various aspects of it. When talk about the nature of the problem begins to wear down, the leader can summarize people's thoughts to make sure everyone was understood—if they were, heads will nod in agreement.

Then the leader asks, "What are your thoughts and ideas on what we ought to do?" Eventually, says Wylie, a consensus will be reached. "Sometimes it takes a long time to do this," he adds. "There may have to be several meetings, but it's a productive, effective way to both explore a problem and solve it."

Invite criticism. Jim Wong relies on his employees to give him feedback on his performance, and they do. During a meeting at a bank recently, he had behaved nervously, moving constantly and tapping his fingers. Afterward, Wong's controller, who had observed him throughout the session, told him, as Wong recounts it: "Jim, you're a very, very high-strung person. You talk a mile a minute. You're too fidgety. You act like you don't want to be there. You should not act like that, especially when you're talking with the bank and asking for more money."

It was, says Wong, a point well taken.

pushing him out the door. And the father avoided discussing succession because he didn't want to imply that one of his children was better than the others.

At a family retreat, with the Glasers' help, family members began to open up about the issue. The father learned his children were already comfortable with the choice of a successor but didn't want him to leave the business yet—because they loved him and because he was an asset to the firm. Simply being "open" and talking about what is on your mind is not enough, caution the Glasers. That can lead to "psychological abuse," says Peter.

Delicate issues should be talked about, says Susan, "but in a way that allows people to really have their intentions understood, in a way that people don't feel blamed and judged, in a way that doesn't get people to feel defensive and upset but creates huge amounts of information and understanding."



PHOTO: SHARON PERCE

Going on sales calls with Victoria Platt and other sales reps enables Alga Plastics' president, Stephen Taglianetti, to hear their concerns and ideas.

Report back. Good communication does not mean everybody gets what he or she wants. For example, when you choose a solution that "goes against the inclinations of the work force," Peter Glaser says, you can "correct a lot of the ill will that employees often feel toward their bosses" by being upfront about it.

Use humor. Humor allows you to talk about difficult issues safely and also brings a group together, say the Glasers. "We really feel unified when we can all share a good laugh," says Peter Glaser.

"The safest kind of humor, the kind we really promote," he says, "is self-effacing humor. Making yourself the brunt of your own joke is always safe. It gets great laughs, and nobody is a loser."

Don't forget the workers who aren't at headquarters. Two years ago, after a divorce settlement, Joan B. Anderson became owner and chief executive of James H. Anderson, Inc., a 70-employee heating, ventilating, and air-conditioning contracting company in Melrose Park, Ill. But she hadn't been in the company during the four years of the divorce proceedings.

"The first thing I did," she says, "was to hop in one of the company trucks with our field superintendent and go visit, from job site to job site, every man that worked for me out in the field." They are the ones most difficult to stay in touch with, she says, but she wanted them on her team. "I reintroduced myself to each one of them

and told them what I had planned for the company."

Sue Fredericks, vice president of performance management at Olsten Corp., a staffing-services firm headquartered in Melville, N.Y., says her own staff is spread across the country. "Much of our communication is on the phone. It's very important for us to be able to take each other's pulses on what's going on."

Be generous with information. "The classical American system," says management consultant Hollister, "is that those at the top have all the knowledge and they hide it from everyone else." But the more information you share with employees, experts are saying, the more they can help your company respond quickly to problems and opportunities.

Creating a good communication environment takes patience and commitment. But as the leaders of Alga Plastics, Sunrise at Queen Anne, Eastern Connection, and other firms can attest, the results are worth it in terms of improved employee performance, a better bottom line, and a company that's prepared to meet the challenge of change.

Says Susan Glaser, "Everyone needs to focus on communication because it is the foundation, it is the source, it is what makes the business strong."



To order a reprint of this story, see Page 72. For a fax copy, see Page 5.

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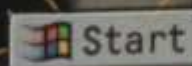


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WHERE DO YOU WANT TO GO TODAY?

LEGISLATION

Recasting Welfare

By James Warshaw

Congress is close to voting to eliminate the system's guarantees of benefits for anyone meeting certain criteria.

The end appears near for one of the most enduring and controversial Depression-era federal entitlement programs, Aid to Families with Dependent Children—the cash payments to low-income mothers and children that have come to be known simply as “welfare.”

Emerging in its place would be 50 state-run programs that would have federally mandated work requirements, limits on the length of time an individual could receive cash payments, prohibitions on aid to certain categories of individuals, and a cap on funding.

And, in the most fundamental change in philosophy behind a welfare system, there would be no guaranteed benefits for everyone meeting certain criteria.

These are the common themes of separate welfare-reform measures passed by the Republican-controlled House and Senate and now being melded into one bill by conferees from both houses.

Small businesses, which create most new jobs in the U.S. economy, could be affected by requirements that states place half of their welfare recipients in public- or private-sector jobs, job training, or schooling by 2003.

“There will be more people out there looking for jobs. [The legislation] will improve the quality and availability of people looking for work,” says Rep. E. Clay Shaw, R-Fla., chairman of the House Ways and Means human-resources subcommittee and legislative manager of the House bill.

Prospects for enactment of welfare reform this year improved in September when the Senate, on an overwhelming and bipartisan 87-12 vote, endorsed a more moderate welfare-reform bill than the one passed by the House in March on a primarily party-line vote.

The Sept. 19 Senate vote came after

weeks of negotiations by Majority Leader Robert Dole of Kansas, who had sought to enlist support from moderate Republicans and Democrats without losing the support of the conservative Republicans who backed the House bill. Just before the Senate vote, Dole, a candidate for the GOP's 1996 presidential nomination, said,

Even though the less-restrictive Senate bill is supported by 35 of 46 Democrats, Clinton is being urged by a number of prominent liberal advocacy groups to veto welfare reform.

Welfare reform was a keystone of the House Republicans' 1994 Contract With America and a plank in the Senate



PHOTO: GARY FICKERELL—FOLIO INC.

Child-care aid was considered by some lawmakers as essential to the success of welfare reform; the Senate bill is more generous than the House bill with child-care funding for welfare recipients.

“We are not only fixing welfare, we are revolutionizing it.” The legislation, he added, “is further proof of the commitment this Congress has made to the American people.”

Clinton administration officials will be monitoring the House-Senate conference and warning its members not to stray too far from the Senate bill. President Clinton has virtually endorsed the Senate bill and has urged that the final conference product look more like the Senate measure than the harder-line House bill.

“If the Congress [in the conference committee] gives in to extremist pressure and walks away from this bipartisan American common ground, they will kill welfare reform,” Clinton said when the Senate bill passed.

Republicans' campaign document, *Seven More in '94*. Both documents outlined legislative goals. And in the 1992 election campaign, candidate Clinton promised to “end welfare as we know it.” There was little support in either party for continuing the current system unchanged.

Despite differences in the two bills, both contain the outlines of a sweeping governmental change and projected program savings, which would go toward deficit reduction and help balance the federal budget by 2002.

Here are specific changes common to both bills:

■ The main federal welfare program, AFDC, would be ended. Welfare would no longer be an entitlement—requiring mandatory spending, regardless of the total

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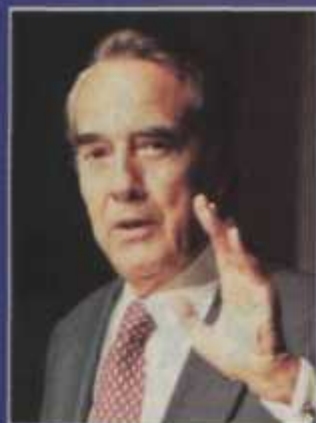


PHOTO: T. MICHAEL KEZA



PHOTO: T. MICHAEL KEZA

In a quest for a compromise bill, Senate Majority Leader Robert Dole, left, will argue for the Senate's more moderate welfare-reform bill, and Rep. E. Clay Shaw will push for the House's more conservative version.

cost, in order to provide checks to any poor person who meets federal criteria.

■ States would have broad new powers to run their welfare programs, using federal funds they would receive as block grants as a result of the consolidation of federal programs.

■ Most welfare recipients would be required to have a job within two years of starting to get benefits, and there would be a lifetime limit of five years of welfare benefits. States could exempt part of their caseload from the five-year limit, however.

■ Federal child-care programs would be consolidated into a block grant and handed over to the states to administer.

■ Most people who are not U.S. citizens could be denied welfare benefits, and aid to some other categories of people, such as drug addicts, alcoholics, or children with behavioral disorders, would be ended or reduced.

The House and Senate measures contain no provisions or funds for job training, however, and legislation to consolidate all federal job-training programs is

moving separately through Congress.

Even though the two bills are similar in many respects and in probable impact, House-Senate conferees must iron out differences on some thorny issues, including:

■ Budget savings: Over seven years, according to the Congressional Budget Office, the Senate bill would save \$66 billion while the House measure would save \$102 billion.

■ The House would deny additional welfare benefits to mothers who have additional children when they are already receiving benefits. The Senate would give states the option on such benefits.

■ The House would deny cash payments to unwed teenage mothers; the Senate would give states the option to do so.

■ The Senate would require states to maintain at least 80 percent of their current contributions to welfare, while the House would require them to add to federal funds only whatever they wanted. States now provide about half of all AFDC funding.

■ The House would deny most non-citizens aid under five different welfare programs, including AFDC. The Senate would deny the aid only to noncitizens who arrive after the bill's enactment.

Shaw, the House bill's manager, has said some compromises will have to be made. "These bills are going to move toward each other," he said. "We'll just have to sit down and do some horse-trading."

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4,549	2,296
11,171	7,284
605,626	596,011
3,961	4,697
12,962	13,111
598,962	596,320
38.2%	38.2%

During the intense negotiations that preceded passage of the Senate bill, GOP moderates forced a softening of some of the House bill's restrictive provisions, and Democrats got more funding for child care as part of the price they extracted from Republicans to assure their support for the final bill.

In the moments before the Senate's vote, the handful of opponents to the final measure castigated it as being harmful to children, who make up about two-thirds of the 14.4 million AFDC recipients.

Daniel Patrick Moynihan, D-N.Y., for decades a noted authority on welfare and its impact, said he feared the Senate's action would mean that it was beginning to dismantle the array of Depression-era social programs aimed at helping the poor, the sick, and the aged. "The one thing not wrong with welfare was the commitment of the federal government to help with the provision of aid to dependent children," he said. "We are abandoning that commitment today."

Dole sought to respond to Moynihan, saying that "nothing could be more harsh on American men and women and children in need than to continue with the system that has failed them year after year."

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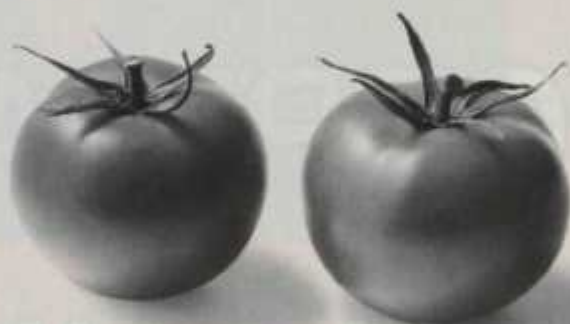
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Benefits Update

The forecasts beyond the figures; a ruling on self-insurance taxation; how market reforms can foster coverage.

By Laura M. Litvan

HEALTH-CARE TRENDS

Costs Are Down, But For How Long?

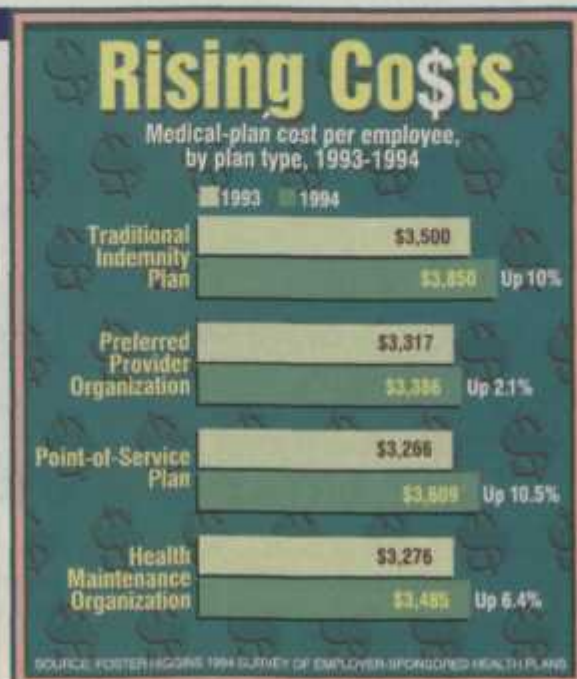
The widely reported drop in employer health-care costs last year may ultimately be but a brief dip in a relentless upward trend.

Health-care costs per employee fell by 1.1 percent in 1994, according to an annual survey conducted by Foster Higgins, a New York-based consulting firm. This bit of good news raised hopes among employers that health-insurance price inflation had ebbed.

Not so fast, says John Erb, a principal with the firm who helped prepare the Foster Higgins survey. He says the dip in health-care costs could be a one-time event, spurred by widespread shifts in 1994 from traditional fee-for-service health plans (which allow employees to pick any doctor) to managed-care plans (which charge a flat yearly fee for all services rendered and place limits on employees' access to doctors outside the caregiver network).

Erb says other figures in the study are more telling—and pessimistic. A comparison of per-employee costs for certain types of plans shows there were increases in employer costs, according to the report. (See the accompanying chart.)

For example, costs for companies offering health-maintenance organization (HMO) plans in 1993 were \$3,276 per



worker, compared with \$3,485 per employee in 1994. That's an increase of more than 6 percent. Over the same period, the medical component of the consumer price index rose 4.7 percent.

Consequently, while employers might have saved money by switching from a fee-for-service plan to a managed-care plan, once they made the switch they were still in a health-care environment in which cost increases outpaced inflation.

So exactly where are health-care costs headed? Uwe Reinhardt, a Princeton University professor of political economy, says it's hard to be specific right now. Current data are "much too crude and much too confusing" to assess the impact of managed care on long-term health-care costs, he said at a recent forum sponsored by the Alliance for Health Reform, a nonpartisan group based in Washington.

Erb agrees. "We can tell you that we don't know where this is going," he says of the long-term outlook.

Meanwhile, the Congressional Budget Office (CBO) is finishing a report that will project increases in overall private health-insurance premiums for the next decade. In

a draft report, the CBO projects that private-sector health-care spending will rise by about 6 percent this year, and will continue increasing an average of about 7 percent a year over the next decade.

While health-care spending now represents about 14 percent of U.S. gross domestic product, the CBO draft report estimates that by 2005 it will rise to 18 percent, barring a change in national health-care policy.

SELF-INSURANCE

Firms Fear Impact Of High-Court Ruling

Self-insured companies fear that a recent Supreme Court ruling has for the first time opened the door for states to levy taxes on their health plans.

A federal law governing health-insurance and pension plans, the Employee Retirement Income Security Act of 1974, exempts self-insured companies from state regulation.

Since the statute's enactment, it has also been used to shield companies from health-related state taxes.

But in April, the Supreme Court ruled unanimously in *New York Conference of Blue Cross and Blue Shield Plans Et Al. vs. Travelers Insurance Co.* that New York can levy a surcharge on hospital bills paid by self-insured companies. New York had levied the surcharge to help pay for the care of the uninsured.

The high court's ruling reversed the decision of lower courts, which had sided with self-insured companies in their fight to escape the surcharge. The Supreme Court said the New York surcharges did not have so big a financial impact that they would have the effect of mandating certain types of benefits under a self-funded plan.

The case was then remanded to the U.S.

Court of Appeals for the 2nd Circuit, based in New York. In August, that court held that the Supreme Court's ruling "leaves no room" for claims that self-insured plans are exempt from the surcharges.

Some court-watchers expect the case to have a ripple effect. It may embolden lawmakers in other states to attempt to impose taxes on self-insured companies as a new source of revenue to finance future health-care reforms. "I think states will probably want to push to see how big a tax they can put on providers" without being challenged, says Heidi Kendall, deputy director of health-care policy at the Association of Private Pension and Welfare Plans, in Washington, D.C.

MARKET REFORMS

States Come To Aid Of Small Firms

Steven J. Shablott, chief executive of the Institute for Advanced Technology Inc., a small, high-tech training company in Edina, Minn., says he found it impossible to offer health insurance to his 20 workers when he took over the firm in early 1992. Several of his employees had pre-existing health conditions, including one who had battled cancer, and insurers he talked with weren't interested in doing business with his company at any price.

But later that year, Minnesota lawmakers adopted insurance-market reforms for companies with fewer than 50 workers. One reform set a 12-month limit on the period during which insurers could refuse to cover pre-existing conditions. Insurers also had to guarantee issuance and renewal of coverage to any business. And they were limited in the extent to which a group's claims experience or health status could be used in rate-setting.

Shablott said the law, which was phased in beginning in July 1992, made it possible for him to buy company health insurance, and the benefits in turn have helped him attract more computer-literate workers to the firm. "Health care is an important part of being competitive," he says.

Minnesota is just one of 45 states that

have adopted various small-group insurance-market reforms in recent years, according to a study by the Commonwealth Fund, a philanthropic group in New York.

Such incremental reforms have broad support in Congress because they address concerns about the uninsured and the affordability of care without burdening the federal Treasury. A Senate committee re-

is still too early to say whether reforms in states across the nation reduce costs and expand coverage. The report, based on interviews with state insurance regulators, did note, however, that there was no apparent widespread negative impact on the insurance market as a result of the reforms.

Meanwhile, some of the state regulators voiced concern to the Commonwealth Fund researchers about the rising number of small employers that are self-insuring, thereby avoiding state regulation and taking much of the punch out of state reforms.

Back in Minnesota, a state-level report found that there have been some troubling outcomes of reforms, but also some positive change.

On the downside, the study last year by the Minnesota Department of Commerce indicated that nearly half of the insurance carriers serving small employers when the reforms went into effect had left the state, many citing the expense of complying with the new law. That left just 27 insurers to serve the state's small-group market, the report said.

But the report also pointed out that 15 percent more small Minnesota employers were offering health benefits since the reforms went into effect. John Gross, a health-care analyst with the state Commerce Department, says regulators generally feel the reforms are a success.

Shablott agrees: "We wouldn't have health care if it weren't for this law."



Minnesota's insurance-market reforms helped Steven Shablott, left, offer health coverage to his training firm's employees.

recently approved legislation that includes reforms similar to those many states have adopted, but prospects for passage this year are unclear because of the crowded congressional agenda.

Although Shablott's experience suggests that the changes adopted by Minnesota have had some positive effects, the Commonwealth Fund study indicates that it

WORKERS' COMPENSATION

State Reforms Slow Cost Spiral

After a decade of rapid price escalation, workers' compensation insurance premium increases have slowed to a crawl.

Between 1984 and 1990, annual premium increases paid by employers averaged 13.3 percent. But annual increases dropped to just 2.6 percent between 1990 and 1993, according to the most recent figures tabulated by the Social Security Administration.

Costs as a percentage of payroll peaked in 1990 at 2.4 percent and declined to 2.3 percent in 1993.

The downward cost trend continued through 1994. Manufacturers paid an average of \$5.39 per \$100 in payroll for workers' comp insurance as of Jan. 1, 1995, a decrease of 4.1 percent from the previous

year, according to a new report from Actuarial & Technical Solutions Inc., a consulting firm in Bohemia, N.Y.

Workers' comp insurance pays both disability and medical costs for workers who suffer job-related sickness or injury. The recent deceleration of cost increases shows up in both types of benefits.

Medical benefits increased at an annual rate of 5.1 percent between 1990 and 1993, one-third the annual rate of 15.6 percent experienced between 1984 and 1990.

Disability benefits increased at an annual rate of 3.8 percent from 1990 to 1993, down from 10.8 percent between 1984 and 1990.

Rutgers University Professor John F. Burton Jr., a nationally recognized workers' comp expert, says the recent moderation in cost increases reflects the impact of nationwide workers' comp reforms.

Since 1992, more than 30 states have enacted significant workers' comp law re-

forms, according to the Insurance Information Institute in New York City. Chief among them:

- Seventeen states passed laws to reduce benefits and tighten eligibility.

- Twenty-two states passed cost-restraining reforms, such as permitting or requiring the use of health-maintenance organizations (HMOs) or other managed-care providers.

- Seventeen states passed reforms intended to reduce attorney involvement in workers' comp claims. While workers' comp was conceived as a no-fault line of insurance, attorneys now are involved in more than one in five cases, double the rate of the mid-1980s.

—Roger Thompson



To order a reprint of
this story, see Page 72.
For a fax copy, see Page 5.

Top Of The Line For '96

By Julie Candler

Just when it looked like automakers had run out of ways to make luxury cars even more luxurious, along comes 1996.

Spurred on by steadily increasing sales—a large percentage of them to owners of businesses, according to most market surveys—luxury-car manufacturers have been busy adding features designed to improve performance, handling, comfort, convenience, and safety.

Top-of-the-line cars' automatic climate-control systems, for example, usually have separate temperature controls for driver and passengers. Remote keyless entry systems unlock doors and trunks. Stereo systems play compact discs and cassette tapes over six to 10 speakers.

In the safety department, the long list of standard items starts with dual air bags, anti-lock braking systems, and theft-deterrent devices. Shoulder and lap safety belts are standard for all occupants in some models. Self-dimming rearview mirrors routinely appear.

Refined suspension systems give luxury cars a comfortable ride and superior stability, particularly when cornering. With variable-assist power steering, low-speed turns are easy but the feel of the road is noticeably firmer at higher speeds.

Many models are wired for cellular phones or are equipped with them, or they have circuitry that enables owners to transmit signals to their gate locks, garage doors, or house lights.

Luxury cars' engines typically are powerful enough to go from zero to 60 mph in eight seconds or less. Yet their superior performance is accomplished with creditable fuel economy.

In addition to those items that are standard on most luxury cars, other treats to lure buyers are being added by automakers for 1996. For example, several manufacturers offer a feature that keeps power



Lexus SC 400

door locks from engaging if the engine is off but the key is still in the ignition—so drivers can't accidentally lock themselves out of the car.

Among other niceties:

- All 1996 BMWs are equipped with a front-passenger detector that keeps the passenger-side air bag from inflating if no one is seated there.

- The 1996 Cadillac DeVille Concours, Seville Touring Sedan, and Eldorado Touring Coupe add a Rainsense wiper system, which, when placed in auto-delay mode, turns on automatically if it starts to rain.

- The new Lincoln Continental's attractions include dimmers on the vanity mirror lights.

- The Lexus LS 400 has a leather-encased first-aid kit tucked in a drawer beneath the driver's seat.

With such delights to offer, it's understandable that luxury cars are increasing in sales, despite competition from the prestigious image that some sport-utility vehicles have acquired. Sales of luxury cars reached 1,215,877 in 1994, beating 1993 sales by 121,379. As of last June, luxury cars accounted for 7.9 percent of total light-vehicle sales (including trucks), up from 7.7 percent a year earlier.

"Typically, in a strong economy, luxury-car sales grow as a percentage of market," says David Bradley, senior analyst with J.P. Morgan Securities Inc., in New York City. "Statistically, their sales look pretty good. But people perceive them to be doing badly because U.S. automakers are losing share of the luxury market. The European makers—Audi, BMW, Jaguar, Mercedes-Benz, Saab, and Volvo—are experiencing double-digit growth. The Japanese-made luxury cars' sales are flat, but sales are generated by attractive incentives and leases."

Bradley does not agree with the theory that sport-utility vehicles are cutting into the luxury-car market. "The concept is that sport-utility vehicles have become the status vehicle," he says. "But luxury-car sales are strong."

That strength continues despite the federal luxury tax of 10 percent for any vehicle costing more than \$32,000. On a \$50,000 luxury car, for example, \$18,000 of the price is subject to the levy, meaning a tax of \$1,800.

Bradley forecasts that because of the law of supply and demand, prices of European cars will increase for 1996 models, while prices for domestic and Japanese cars will remain stable.

On the domestic front, General Motors is halting construction at the end of the 1996 model year of its big rear-wheel-drive cars with soft rides. They are the Chevrolet Caprice, Buick Roadmaster, and Cadillac Fleetwood—all built on the same platform. Their demise will give GM more capacity to produce pickup trucks and sport-utility vehicles, which are in heavier demand.

The buyer who splurges on a luxury car can find comfort in the fact that today's vehicles last a long time and require less maintenance. The 1996 Lincoln Continental doesn't need its first tuneup until

SPECIAL REPORT

it reaches the 100,000-mile mark. Cadillac, with the powerful Northstar engine, was first to require no tuneup for 100,000



BMW 5-Series

miles. Several Buick and Olds luxury models with the 3800 Series II 2.3-liter engine also stretch the tuneup time to 100,000 miles.

Below is a wrap-up of what's new among luxury cars priced at more than \$35,000. That's followed by a report on near-luxury cars selling at \$25,000 to \$35,000.

Because many luxury-car prices had not been established at press time, those given—except as noted—are for 1995 models. All cars have front-wheel drive unless otherwise stated.

Over \$35,000

ACURA

A new RL will replace Acura's Legend next spring as the division's top-of-the-line luxury sedan. It will have more seating space and a 3.2-liter V-6 engine. A 3.5-liter V-8 may come later.

The new name, RL, is one of Acura's alphabetical designations for key new models. The company is dropping names such as Legend, to put emphasis on the Acura brand name.

AUDI

This past summer, Audi introduced the S6 Wagon (\$45,270), calling it the highest-performance station wagon sold in the United States. It will be a limited-production vehicle, with a 2.2-liter, 20-valve, five-cylinder engine that sprints the vehicle from zero to 60 in 6.6 seconds and hits a top speed of 130 mph.

BMW

An all-new version of the midsize 5-Series line of rear-wheel-drive vehicles will be introduced in 1996, to be designated a 1997 model. It will be offered with both six- and eight-cylinder engines.

Meanwhile, the current 5-Series will be available into 1996.

The industry trend toward more power continues with the upgrade of the V-8 engine in the 1996 BMW 740iL (\$61,900) and 840Ci (\$72,000) from 4.0 to 4.5 liters. All-season traction control, which kicks in when a wheel slips under acceleration, will be standard on the 740iL.

A new standard feature in the elegant 750iL (\$89,900) will be a heated steering wheel.

In the 8-Series, the rear-wheel-drive 840Ci gets a Steptronic transmission, a combination automatic and semimanual.

When engaged in the manual mode, which many drivers prefer, it shifts up a gear when the lever is tapped forward once, down a gear when tapped backward once.



Cadillac STS

CADILLAC

All Cadillacs for 1996 come with a custom-



Jaguar XJ12

designed entertainment system that includes a cassette player and a trunk-mounted CD changer for six compact discs.

All 1996 Cadillacs also will be pre-wired for an optional voice-activated cellular phone with dual-mode (analog or digital) capability that can be installed at the factory. The dual mode is particularly useful in congested areas and is available in a portable or nonportable package.

A sporty new interior updates the Seville Touring Sedan (\$45,935) and the Eldorado Touring Coupe (\$41,535).

The climate, entertainment-system, and driver-information controls are in a center console, easily accessible for both driver and passenger.

INFINITI

After the 1995 model year, the Infiniti division of Nissan Motor Co. will stop selling the Q45a, its flagship model, which has an active-suspension option.

"Spy photos" (taken by scoop-seeking automobile-magazine reporters) of the forthcoming Q45 show the redesigned model (\$52,400) with a squarish, Mercedes-Benz look. It's due next spring.

JAGUAR

Five inches have been added to the wheelbase (the distance between the centers of the front and rear wheels) of two of Jaguar's rear-wheel-drive, four-door sedans to give back-seat passengers more leg room. A redesigned roof curvature gives a half-inch more headroom for both front and rear passengers.

The models are the high-line Vanden Plas (\$62,200) and the XJ12 (\$77,250); the only Jaguar powered by the 6.0-liter V-12 engine.

Other comforts added for the XJ12 include heated rear seats, with separate elements for seat cushion and back. Heated seats are also available in other XJ series sedans.

LEXUS

The sporty, five-passenger, rear-drive GS 300 (\$43,600) accelerates more quickly with a new five-speed automatic transmission. A redesigned rear-panel lamp assembly updates the exterior of this midsize sedan.

The SC 300 (\$41,700) and the SC 400 (\$49,400), both midsize, rear-drive sport coupes, get the new V-8 engine introduced with the 1995 Lexus flagship, the LS 400. The new engine puts out more horsepower and performance, with better fuel economy.

Both coupes add LS 400 luxuries such as automatic-dimming rearview mirrors both inside and outside and a moon roof that slides open with one touch.

LINCOLN

The all-new Lincoln Continental is a completely redesigned four-door sedan that arrived



Lincoln Continental



Mercedes-Benz E-Class

early in the year as a 1995 model. Its new aluminum, 4.6-liter, V-8 engine produces 280 horsepower and provides quick accel-



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SPECIAL REPORT

eration, well ahead of the previous model's V-6.

A base price of \$41,390 covers luxuries



Rolls-Royce Silver Spur

such as a memory profile system with a 12-option menu. It lets two drivers program varying levels of steering assist, suspension firmness, and even instrument-lighting intensity.

The vehicle comes with a choice of five-passenger bucket seating or six-passenger split-bench seating.

The Continental's computer-driven suspension system lets the driver select three degrees of ride: plush, normal, or firm.

The back of the big trunk contains an innovative sliding tray that's sectioned to hold grocery bags. For filling, it slides on a rail to the rear of the car. It can be removed for large luggage loads.

The automatic-dimming rearview mirror contains a digital compass. Dials adjust the settings on the seat warmers.

The 1996 Continental becomes the first car in the world to provide a high-tech protection system using global satellites and cellular phone technology to call for help. It's known as RESCU—for Remote Emergency Satellite Cellular Unit. Pressing one of two buttons on the overhead console summons roadside assistance. The other is a panic button that calls for police, fire, or medical help. RESCU pinpoints the vehicle's location and puts the driver in voice contact with a response center.

Also for 1996, the Continental will have Securitre—Michelin ZP (for zero pressure) tires that can be driven without damage up to 20 miles after total deflation. A tiny sensor in each tire, called Pressure Alert, signals a warning light on the overhead console when tire pressure gets low.

MERCEDES-BENZ

The next-generation E-class of three mid-size, four-door sedans debuts this fall in the United States. The cars have new styling, with big oval headlamps and a curvy roof line, yet they retain the Mer-

cedes-Benz look. The first models are an E320 (\$43,500), with a gas-powered, 217-horsepower engine, and an E300 diesel with 134 horsepower (\$41,000). Both engines are in-line six-cylinders.

An E420 four-door sedan (\$52,500) available in early 1996 will have a 275-horsepower V-8 and five-speed automatic transmission.

All E models will have air bags not only in front of both driver and front passenger but also at the side, mounted in each door, to offer protection in side-impact collisions.

Mercedes added a standard-wheelbase S320 to its line of long-wheelbase S-class sedans last fall. At \$62,700, it's for those who like the S-class but don't need the roominess of the longer-wheelbase models. Mercedes also freshened the styling of all S-class sedans.

All Mercedes-Benz cars have rear-wheel drive.



Volvo 850 Platinum



Acura TL Sedan

ROLLS-ROYCE; BENTLEY

Even the famous radiator grill and "Flying Lady" mascot on the hood of the Rolls-Royce have been re-proportioned.

All three Rolls-Royce and six Bentley models have been restyled with a more-rounded design.

Pininfarina of Italy, world leader in convertible styling, enhanced the design of Bentley's two-door Azure convertible introduced in March. At its 1996 price of \$319,000, it is the most expensive Bentley luxury performance soft-top to be sold in North America. Yet demand for it has created a waiting list stretching to mid-1996.

Equipped with a 6.75-liter turbocharged V-8, the vehicle will accelerate from zero to 60 in well under seven seconds, according to the manufacturer. Top speed is electronically limited to 150 mph.

SAAB

The full-size 9000 Series Saabs got new engine options last fall. An all-new 3.0-liter V-6 became the standard on the full-size Saab 9000 CDE four-door sedan (\$38,995) and is optional for the 9000 CSE five-door (\$38,650). Three-spoke alloy wheels are new for the 9000 CSE. The 9000 model line will add rear cup holders, center armrests, and storage pockets on the front edge of the front seat cushions.

VOLVO

Platinum Limited Editions of an 850 Series four-door sedan and wagon (both \$38,335 for 1996) are equipped with most of the many options available from Volvo. They have heated front seats with eight-way power adjustment, headlamp wiper/washer systems, and ambient temperature gauges. Their 100-watt, eight-speaker stereo systems include a compact-disc player and cassette deck, both with anti-theft circuitry.

Power for the special editions is supplied by a 2.3-liter, five-cylinder, turbocharged engine paired with a four-speed automatic (EPA rating: 19 miles per gallon city, 26 mpg highway).

The vehicles are distinguished from other models by their pearl-white, platinum metallic paint, five-spoke alloy wheels, and a front spoiler.

\$25,000 To \$35,000

ACURA

A new midsize luxury sedan, the Acura TL, debuted in April. It replaces the Vigor. Acura designed the four-door TL as a sporty touring luxury automobile with a handsome interior.

The 3.2TL model is



Audi A4



Buick Park Avenue Ultra

powered by a 200-horsepower, 3.2-liter V-6 and has a base price of \$32,950. The 2.5TL, with a 176-horsepower, 2.5-liter, inline five-cylinder engine, starts at \$27,900.

SPECIAL REPORT

Acura says both models were designed with the latest advances in structural rigidity for durability, passenger protection, and noise isolation.

An all-new CL luxury sport coupe goes on sale in the spring as a 1997 model. It will be designed and produced in the United States, with a 2.2-liter, four-cylinder engine from the high-line Accord from Honda, parent company of Acura.

AUDI

The successor to the Audi 90 model is the four-door A4 (A for Audi and 4 for the vehicle's new midsize platform). The sports sedan is available with the superior traction of optional Quattro control, the full-time all-wheel-drive system that has made Audi a success in Europe.

The A4 is 2 inches wider than the 90 and has a lower hood line, adding to its wedge-like profile. Its innovative suspension and steering systems contribute to excellent ride and handling.

There's a sprightly 2.8-liter, 172-horsepower V-6 under the hood. Estimated base price is \$27,300, plus about \$1,500 more with the Quattro feature.

BMW

The engine of the rear-wheel-drive 318i (\$25,600) gets upgraded from 1.8 to 1.9 liters, for an increase in torque. The entry-level BMW is available as a two-door, four-door, or convertible.

The 325i (\$32,450) gets a slightly new name: 328i. It also gets a 2.8-liter engine, with a 15 percent increase in torque and performance.

A new feature allows windows to be closed from outside the car with the key in the driver's door lock.

All 1996 models get security technology called Coded Driveaway Protection. Each time the key is removed from the ignition, the engine electronics are disabled and the key code is changed. Theft is impossible without the key or a tow. Equipped with tiny microchips, each key is programmed at the factory with a fixed personal code plus the individualized, constantly changing code. As of July, BMW reports, not one car equipped with the technology had been stolen.

BUICK

A new feature called Personal Choice allows each driver of the full-size, four-door Park Avenue (\$28,205 in '96), Park Avenue Ultra (\$32,820 in '96), and the sporty Riviera coupe (\$29,475 in '96) to

program the remote keyless entry system to his or her liking. With "his and hers" key-chain devices, each activating preset conditions, drivers can make choices such as whether all doors automatically lock or unlock, or only the driver's door unlocks, when the car is shifted into park.

Personal Choice also lets drivers personalize perimeter lighting that turns on

60 in eight seconds, according to Buick tests, yet achieves 29 mpg on the highway. It's standard on the Ultra, optional on the Riviera.

Eventually, the Park Avenue models will be built on the same platform as the Olds Aurora and the Buick Riviera.

With the full-size, rear-wheel-drive Roadmaster (\$25,560 in 1996) and the eight-passenger Roadmaster wagon (\$27,575 in '96) entering their final model year, a special hood ornament will mark them as a "collector's edition."



Chrysler New Yorker

lights for 15 seconds when the button on the remote is pushed. The system also controls the memory driver's seat and the mirror adjustments.

Both the Riviera and the Ultra are equipped with a supercharger for their 3800 Series II V-6 engine, increasing horsepower to 240 from 205. The engine powers the cars from zero to



Infiniti I30t

CADILLAC

The 1996 DeVille Concours (\$34,900) increases its power to 300 horsepower from 275.

Cadillac's exclusive Northstar System, with its 32-valve, 4.6-liter V-8 engine, plus its special transmission, suspension, steering,

anti-lock brakes, and traction control, is incorporated into all front-drive Cadillacs after the addition of the DeVille in '96. The change adds 38 percent more horsepower

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SPECIAL REPORT

to the four-door DeVille, Cadillac's best seller.

Cadillac is getting ready to launch its



Mazda Millenia

rear-drive Catera sedan, scheduled to be introduced in mid-1996 as a 1997 model. It will be a "European Cadillac," manufactured at the Adam Opel A.G. plant in Germany and built on the same body structure as the Opel Omega MV6.

CHRYSLER

More luxuries were added to the five-passenger LHS (\$29,595)—the flagship personal luxury sedan—and to the six-passenger New Yorker (\$25,595).

Among new features for both models in 1996 are a transmitter that keeps you from having to carry a remote garage-door opener, a more-powerful cassette system, an integrated rear-window radio antenna, and an optional compact-disc system.

INFINITI

The base price of the 1996 I30 introduced in May is \$28,420, placing its cost between the J30 and the G20. It's a four-door sedan powered by a V-6. Its lines are reminiscent of the top-of-the-line Q45. The I30 is built on a Nissan Maxima chassis and has the same 190-horsepower, 24-valve, 3.0-liter aluminum V-6.

There's also a sportier I30t (for touring), which has a 1996 base price of \$32,720, and a leather-appointed I30 (\$31,120 in '96). The I30's array of luxury features includes an eight-way power driver's seat and a four-way front passenger seat with integrated pelvic lumbar support. The Infiniti's Integrated Home Link feature programs your gate, garage door, or house lights.

MAZDA

Introduced in 1995, the four-door, mid-luxury Millenia sedan (\$27,325) gets few changes for 1996, with the exception of a standard in-dash CD player and an antenna in the rear window glass instead of a

mast antenna.

The Millenia is replacing the rear-drive luxury Mazda, the 929, which is expected to be discontinued by the end of the 1996 model year.

MITSUBISHI

As it makes plans for an all-new 1997 model, Mitsubishi is offering the 1996 Diamante only in the base ES model (\$27,000). Its engine is a 3.0-liter, 12-valve V-6. The '97 sedan, scheduled to arrive next fall, is expected to be longer and wider, with a more-powerful 3.5-liter V-6 engine.



Mitsubishi Diamante ES

OLDSMOBILE

The LSS, an offshoot of the Oldsmobile 88, started in 1992 as a special package of standard features preferred by import buyers. Now it's a "stand-alone" model.

The exterior of the four-door touring se-



Oldsmobile LSS

dan is refined for 1996 with front, rear, and side details.

Only five items, such as cloth trim, are optional. One of those options is new for 1996: the 240-horsepower version of the 3800 Series II (3.8-liter) V-6. The full-size LSS's base price for 1996 is \$26,010.

The 98 Regency Elite gets programmable automatic door locks and a personalized remote keyless entry system that moves the driver's seat and outside rear-view mirrors to preset locations. Two key-chain devices activate two different presets, as with the Buicks.

For 1996, Olds has deleted the supercharged version of its 3800 Series II V-6. Nonetheless, the company says, the first scheduled tuneup for its standard 3800 Series II, without supercharging, is at 100,000 miles.

The 1996 base price of the Series I ver-

sion of the Regency Elite is \$28,160. The Series II, with traction control and additional features such as a heated outside mirror, is \$29,260.

Olds plans to phase out the 98 series at the end of the 1996 model year.

PONTIAC

The Bonneville SSE (\$26,559 in 1996) and the sporty SSEi (\$27,726 in 1996) get a face lift with a new front grille and bumper, plus restyled headlights and taillights. The SLE—sport luxury edition—comes with leather seats and an electronically controlled transmission.

The supercharged 3800 Series II V-6 with 240 horsepower becomes standard on the SSE and SSEi.

Both models also get as standard a programmable remote keyless entry system. It lets the driver activate personal settings for automatic door locks, delayed locking, and other choices by pressing the door-unlock button on the key fob.

SAAB

The 900 SE five-door (\$28,680) will be available in 1996 with Saab's 185-horsepower, 2.0-liter, turbo four-cylinder engine, at a slightly higher price. It will be paired initially with a five-speed manual transmission, but later in the model year Saab plans to add an optional electronically controlled, four-speed automatic.

Saab also introduced a 170-horsepower, light-pressure turbocharged 2.3-liter four-cylinder, standard on its 9000 CS five-door (\$29,845). The engine was selected as one of the top 10 engines of 1995 by *Ward's Auto World* magazine.

The automaker says its new light-pressure turbo technology improves a regular engine's fuel economy, lowers noise and weight, improves emissions, and keeps costs down. A Saab spokesman says, "The turbo-

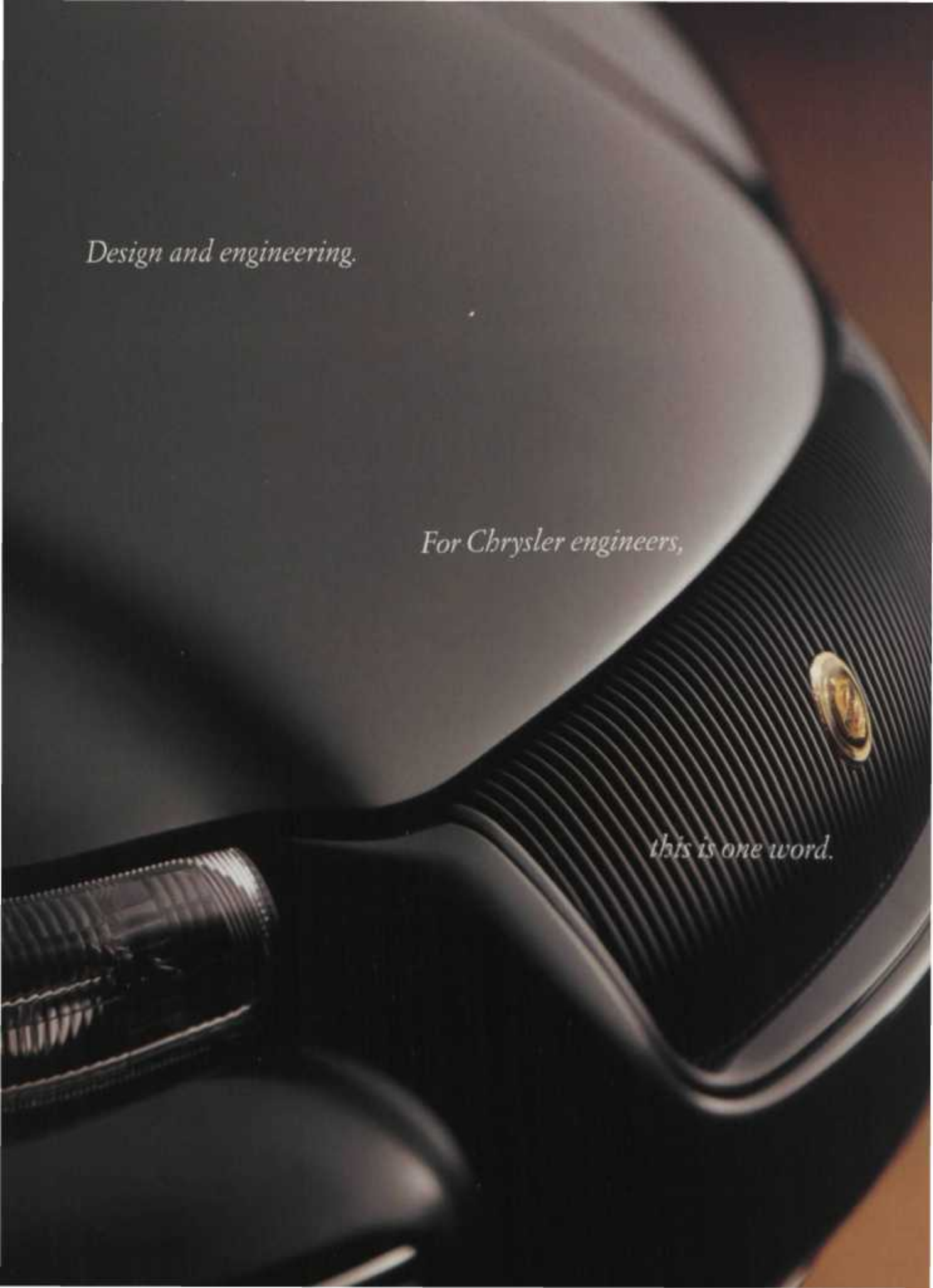


Pontiac Bonneville SLE



Saab 900 SE Turbo 5-Door

charger absorbs otherwise wasted energy and returns it back into the engine for useful work."

A close-up, low-angle shot of the front of a dark-colored car. The image focuses on the headlight and the upper portion of the grille. The grille features a series of horizontal, ribbed lines and a small, circular, gold-colored Chrysler Pentastar emblem. The lighting is dramatic, with strong highlights and deep shadows, emphasizing the car's sleek design.

Design and engineering.

For Chrysler engineers,

this is one word.

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Chrysler LHS 3.5 LITER 24-VALVE 214 HP ENGINE, INDEPENDENT TOURING SUSPENSION, CAB-FORWARD DESIGN, 8-WAY POWER LEATHER-TRIMMED SEATS.

can exist for its own sake.



POWER WINDOWS, DOOR LOCKS AND MIRRORS, 4-WHEEL DISC ABS, AUTOMATIC TEMPERATURE CONTROL, CHRYSLER/INFINITY SPATIAL IMAGING™ SOUND SYSTEM.

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Chrysler Cirrus LXi COMPUTER-CONTROLLED MULTI-VALVE V6, FOUR-WHEEL INDEPENDENT SUSPENSION, CAB-FORWARD DESIGN, SPEED-SENSITIVE STEERING

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FATIGUE-REDUCING DRIVER'S SEAT, COMPLETE POWER ACCESSORIES, PERSONAL SECURITY SYSTEM, BODY-STIFFENING RAIL-THROUGH CONSTRUCTION.

and engineering affects design.



Chrysler Concorde LXi 3.5 LITER 24-VALVE 214 HORSEPOWER ENGINE, FOUR-WHEEL INDEPENDENT TOURING SUSPENSION, SPEED-SENSITIVE STEERING. 1997



AST ALUMINUM WHEELS, FOUR-WHEEL DISC ABS, LEATHER-TRIMMED SEATS, ELEVEN-SPEAKER PREMIUM SOUND SYSTEM, CAB-FORWARD DESIGN.

And that the worth of the two together

is far greater



Chrysler Town & Country LXi 3.6 LITER V6, 8-WAY POWER LEATHER-TRIMMED SEATS WITH DRIVER'S MEMORY, DUAL ZONE TEMPERATURE CONTROL

than the sum of their individual parts.



DRIVER'S SIDE SLIDING DOOR, EASY OUT ROLLER SEATS,™ 10-SPEAKER PREMIUM SOUND, REAR HEAT AND AIR CONDITIONING, REMOTE KEYLESS ENTRY, 4-WHEEL ABS.

It is, in the end, the simple idea that one plus one can,

and must, equal more than two.



Chrysler Sebring LXi: 24-VALVE V6, RACE-INSPIRED SUSPENSION, SPEED-SENSITIVE STEERING, 8-SPEAKER SOUND SYSTEM, 35" OF REAR LEGROOM.



Chrysler Sebring JXi Convertible 24-VALVE V6, CAB-FORWARD DESIGN, 4-WHEEL INDEPENDENT SUSPENSION, LEATHER-TRIMMED SEATS, 35" OF REAR LEGROOM.

Chrysler Town & Country LXi

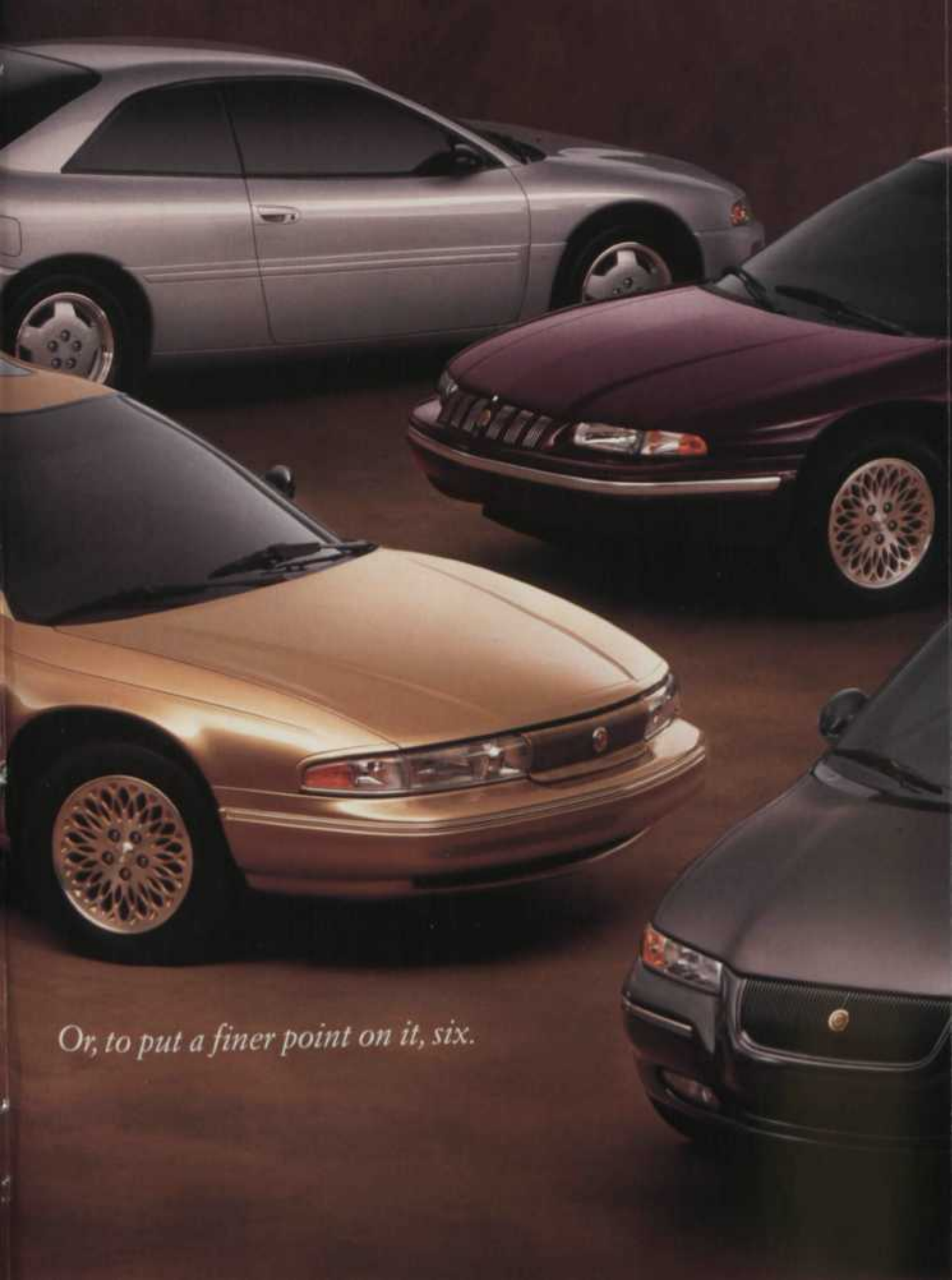


Chrysler Sebring JXi Convertible

A photograph of three Chrysler vehicles. In the upper left is the rear of a silver Chrysler PT Cruiser minivan. In the upper right is the rear of a silver Chrysler PT sedan. In the center is a gold Chrysler Sebring LXi sedan, shown from a side profile. In the foreground is the front of a red Chrysler LHS sedan. The vehicles are parked on a dark surface against a dark background.

Chrysler Sebring LXi

Chrysler LHS



Or, to put a finer point on it, six.

Chrysler Concorde LXi



Chrysler Cirrus LXi



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SMALL BUSINESS COMPUTING

Home Is Where The Office Is

By Steve Ditlea

Two years ago, James Wilcoxon, owner and CEO of Paddock Swimming Pool Co., in Rockville, Md., began working occasionally in his new home office. Now, he says, "a large percentage of my work gets done at home."

Wilcoxon is one of the growing number of small-business owners who are finding that offices at home for themselves as well as for selected employees can increase productivity while improving their quality of life at little or no cost to their companies. They have learned through experimentation that

home offices can be backups or even replacements for offices in traditional business settings. The home office is gaining

wider acceptance largely because the tools that make such arrangements effective—personal computers and peripherals such as modems, office equipment such as fax machines, and telecommunications devices—are falling in price while posting great gains in speed and efficiency.

Wilcoxon spends one or two workdays a week at his Rockville home running his firm, which specializes in building pools for commercial water parks. "I have no distractions once I close the door," he says.

He planned his home office—a room complete with refrigerator and adjoining bathroom—when he built a new home in 1993. Though he's away from the distractions and interruptions common in a main office, Wilcoxon remains abreast of the latest company order data and can exchange electronic mail with employees as if he were down the hall. He uses an IBM PC/90 desktop computer connected to the firm's computer network via a modem and a standard phone line.

The arrangement has worked so well for him that he has offered the home-office option to key employees at his firm's 50-person main site. At Paddock, as in most companies, white-collar jobs—especially those involving PCs—lend themselves most readily to telecommuting.

More than half of the company's 16 office

This story is part of a continuing series on managing at the turn of the century.

Technology improvements have made the home office an effective workplace alternative.

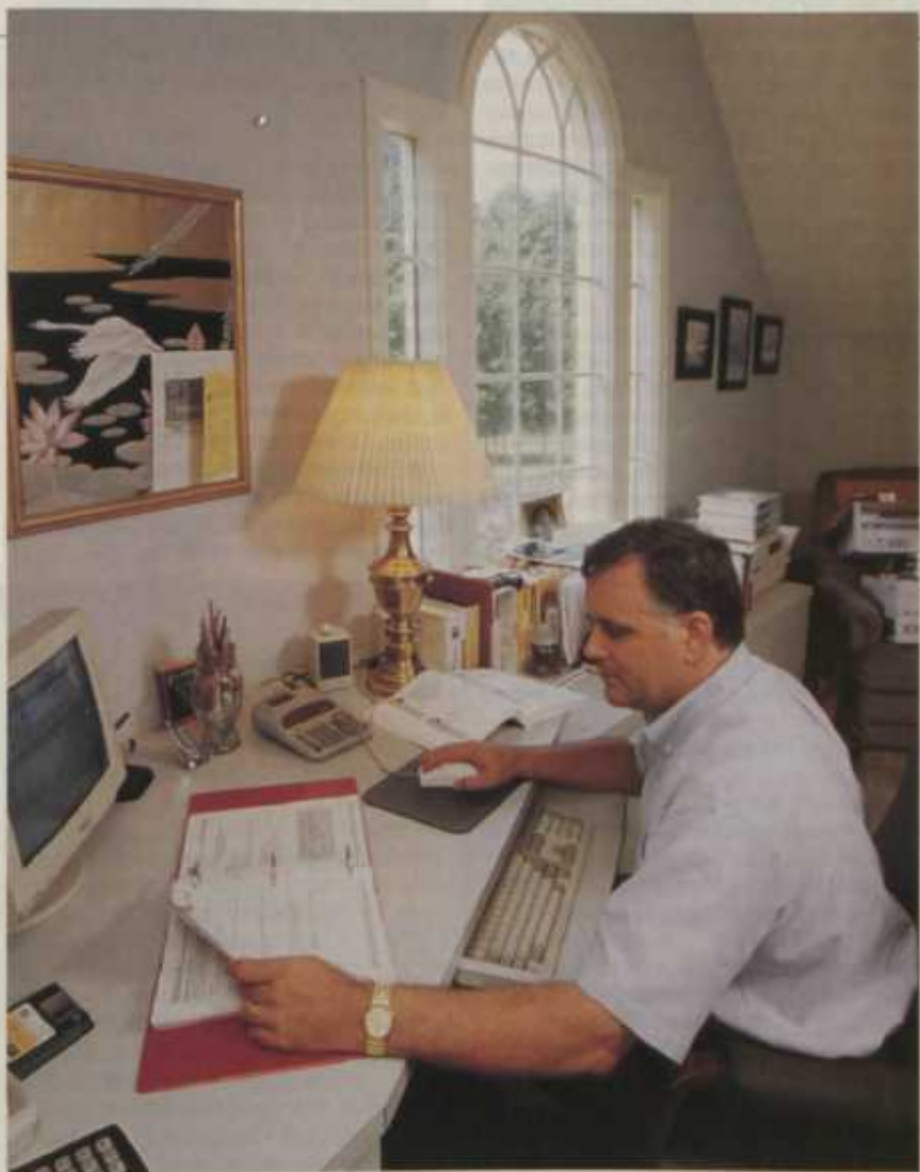


PHOTO: MICHAEL REED

Jim Wilcoxon spends one or two days a week running his swimming-pool company—and avoiding distractions—from the office in his Rockville, Md., home.

workers now work at home part of each week. And the clear gains in efficiency and morale have prompted Wilcoxon to lend personal computers to aspiring home-office workers who don't own one.

Avoiding rush-hour commuting one or two days a week can be a major incentive for telecommuters. At Paddock, that commuting benefit, says Wilcoxon, enabled him "to hold on to an employee I didn't want to

lose—the woman who designs our pools. She's recently married, and it's an hour and a half commute from her new home. She had just bought a computer for home, so we agreed that she could work from her home office two days a week." The cost to keep a valued employee? "A capital investment of

Steve Ditlea is a free-lance writer in Riverdale, N.Y.

SMALL BUSINESS COMPUTING

\$150 for a high-speed modem to connect her new home PC to the phone line," says Wilcoxon.

According to Find/SVP, a technology research firm in Ithaca, N.Y., the number of U.S. business people regularly working from home or other remote telecommuting locations will nearly double, to 11 million, by the year 2000. And an increasing proportion of these workers will be employed in small and midsize firms, says Find/SVP.

In some instances, necessity drives the move to telecommuting. For example, when the 1994 Los Angeles earthquake heavily damaged some transportation arteries, many area companies embraced telecommuting just to keep their operations going. And some metropolitan governments encourage telecommuting as a pollution-reduction measure to help meet Clean Air Act requirements.

Until recently, much of the voluntary growth in satellite home offices has stemmed from initiatives in large, high-tech companies. AT&T, for instance, has allowed more than 35,000 of its 250,000 employees to telecommute one or more days a week. But now, motivated by the convenience, flexibility, and efficiency of working at home, owners and managers of smaller businesses

are adopting this workplace alternative.

"By the year 2000, companies will be offering telecommuting from home as a standard work option for many job functions," says Judy Rapp Guadagnoli, manager of the telecommuting program for the city and county of Denver—one of the metro areas that use telecommuting as a way to cut pollution.

For small and growing businesses, establishing home offices where some managers or other employees can work a day or two a week—linked to clients and the main office by computers and communications tools—is just one of several alternate-workplace arrangements made practical by today's office technology. Others include:

- Remote customer-service centers, where employees can handle customer calls at home-based computers, seldom if ever reporting in person to a central office.

- Telework centers and satellite offices, in company locations close to employees' homes, to reduce commuting distances.

- Virtual or mobile offices, which depend on portable computers and communications devices to enable on-the-go personnel to work wherever they might be.

Among these options, the telecommuter's home office is proving to be the least expensive to set up. It usually requires only a small amount of hardware and software and the adoption of office practices in place at the company headquarters, such as working hours and days off, standard forms, and communication procedures.

The transition to any arrangement that lets employees work away from the office can require adjustments for employer and employee alike.

For example, it may take time for some to become convinced that productivity can actually be improved by eliminating tiresome commutes and that supervision can be maintained by monitoring work flow and task completion.

In establishing home offices for employees, Wilcoxon's firm relied on IBM's newly acquired Lotus Notes software. An advanced program used in computer networks, Notes facilitates access throughout a company to selected documents, messages, and up-to-the-minute data. And since it was using Lotus-brand applications software for word processing, spreadsheets, and database management, the company simply bought more software licenses for employees' home computers.

Beyond The Nuts And Bolts

By Ripley Hotch

Establishing a satellite office in your home, or an employee's, may seem like a great idea, but it's not as easy as just plugging in the right equipment. Home offices require attention to a range of issues that company owners and managers are only beginning to confront.

For example, many small businesses are placing computer systems in employees' homes without any formal agreement or even basic record keeping. In today's litigious world, it's a good idea for management to have a written telecommuting agreement that covers equipment ownership and responsibilities in addition to insurance and liability provisions.

Model telecommuting agreements are included in two recent books that are particularly good places to start in setting up home-office plans for employees: Jack Nilles' *Making Telecommuting Happen: A Guide for Telemanagers and Telecommuters* (Van Nostrand Reinhold, \$24.95); and Debra and Brad Shepp's *The Telecommuter's Handbook: How to Earn a Living Without Going to the Office* (McGraw-Hill, 1995 edition, \$12.95).

Here are some other matters to consider before setting up a home office:

Labor Law

You no doubt have become used to looking over your shoulder for enforcers of regulations, particularly the

Americans with Disabilities Act (ADA) and the Occupational Safety and Health Act (OSHA). In general, OSHA rules don't apply to home offices. The

ADA's ban on employment discrimination does not apply to businesses with fewer than 15 employees. Hence home offices used by individual employees are exempt from this part of the law. But a home office that deals with the public is subject to the public-access provisions of the statute, which could require accommodating the handicapped. For answers to specific questions, call the Justice Department's ADA technical-assistance hot line: 1-800-514-0301.

If you are setting up a home office to accommodate a handicapped employee, you're complying with ADA rules. If you are doing so in an effort to avoid making changes in your main workplace, how-

ever, regulators might interpret this as going against the spirit of the ADA, which is intended to include disabled people in the mainstream of work life.

Zoning

The major problem locally can come from zoning restrictions. If you are establishing an office in a residential neighborhood, chances are that no one will say anything—unless and until you have regular visitation by clients. The idea of a home office is becoming so accepted that many new homes are including an office in the design.

Still, in many jurisdictions, local officials take a dim view of commercial activity in a neighborhood. You should check with the zoning authorities at city hall or your county government to make sure you aren't breaking any laws.

Taxes

If your employee provides the space for a home office and then takes a deduction for it, the Internal Revenue Service will be looking very carefully, almost always with an eye to disallowing the deduction.

The office must clearly be separate from any other traffic pattern in the house



Though the latest in office technology can come in handy, it may not always be necessary for a small firm's telecommuting arrangements. Many hardware and software choices will be dictated by compatibility with systems already in use at the headquarters office or, in some instances, by the firm's customers. The chief concern in implementing a home office—whether now or in the years ahead—is effective telecommunications. Following are major considerations in doing it properly.

Making Connections

The computer network at the Lafayette Venetian Blind Co., based in West Lafayette, Ind., has enabled the firm's sales staff to telecommute since 1987. Today, 40 sales representatives and managers in 34 states work from home offices, where they generate more than \$50 million a year in sales of designer window blinds and interior fashions. Because many of Lafayette's products are made to order, the sales staff's remote connection to company data pays for itself in reduced manufacturing waste—a benefit of sophisticated account management. "We stay ahead of the competition by being the

"The key to a successful home office is connectivity."

—George Bell,
Steelcase, Inc.

only ones in our industry to mine knowledge," says Tom Robinson, Lafayette's manager for marketing and strategic planning. "Our network includes custom spreadsheets, sales analysis, and incentive-program information, which our representatives use to generate profit-and-loss statements by customer and create sales plans with volume and margin objectives for the next sales period."

Lafayette's information-systems department provides sales people with lap-

top computers. Employees who prefer to use their own equipment are reimbursed for their expenses, including furniture purchases. The only requirement is that reps check in with the firm's computer system every day.

"The key to a successful home office is connectivity," says George Bell, who identifies home-office needs for employees in the sales and marketing department at Steelcase, Inc., a manufacturer of office furniture, in Grand Rapids, Mich. Bell says that even before considering furniture and office equipment for a new home office, the person should map lines of communication to keep from feeling isolated from customers and headquarters.

Today's home office should accommodate several business-communications media: telephone, fax, electronic mail, computerized file exchanges, and connection to on-line services, including the global network of computer networks known as the Internet.

With an eye to the future, consideration should be given to telephone companies' newest home offering, ISDN—short for integrated services digital network. This sophisticated link can simultaneously handle voice calls and computer data

and must be used only for business purposes. If you allow children to use the space as a playroom, or if it doubles as a guest room, then that is personal use, and the whole deduction is lost.

Many companies with employees using home offices arrange to lease the space and pay the employee. That way, the employee realizes some income (and, of course, pays tax on it), but the company gets the deduction. And it's clearly a business arrangement for the convenience of the employer, and not a questionable deduction. Depreciation rules about furnishings and equipment can also be tricky, so the advice of a tax professional is essential.

Insurance

You can't depend on homeowner's insurance to cover a home office. Typically, these policies simply do not cover business activities, liabilities, or equipment. As home and satellite offices grow in popularity, most insurance companies have introduced a variety of policies designed to cover almost any business situation. The cost is not high, at least when compared with the potential loss if there's a fire or a client takes a fall on an icy sidewalk.

If you are self-employed and you aren't working solo at your home office, you may

also need to purchase workers' compensation insurance for any employees. Check with your insurance agent.



Ergonomics And Lighting

There's a lot of talk about ergonomics, but it is not a mystery. Most office work is built around the computer, and all the major office-supply and furniture

companies have worked to design and market ergonomically correct equipment.

The proper work space is designed to minimize the possibility of repetitive-strain injuries—the painful inflammation of wrist, arm, and neck tendons leading to loss of feeling, extreme pain, or loss of use. You should make sure that anyone setting up a home office knows the basic ergonomic principles and gets help setting up the work space.

Constant use of the mouse is a frequent cause of repetitive-strain injuries. It's extremely important for the mouse to be at the same level as the keyboard, or slightly lower.

The top of the monitor should be slightly below eye level and 20 to 26 inches from the eyes. Adjustable monitor stands can put the monitor at that level.

At the keyboard, the user should keep the back straight, feet flat on the floor,

thighs and lower arms parallel to the floor. When typing, wrists should be supported and not angled up or down. Adjustable chairs with back support, supplemented by footrests, adjustable keyboard drawers, and wrist rests are major allies in reducing stress.

Bright overhead lighting and glare from windows can cause eyestrain. Many computer users keep the monitor too bright, partly in compensation for bright or glaring ambient light. Reduce general room lighting, and consider a glare-reducing screen over the monitor.

In any case, employees away from the main office should be told to take breaks from the computer at least once an hour. Intense work without interruption can cause debilitation and fatigue that can eventually lead to injury.

Some office-supply manufacturers offer assistance with equipment-related questions.

You can get a packet of helpful information from Steelcase, Inc., the Grand

Rapids, Mich., maker of office furniture, by calling 1-800-333-9939. Fellowes Manufacturing Co. of Itasca, Ill., offers a 3½-inch diskette showing some of the computer accessories and other office products it makes; call 1-800-945-4545.



SMALL BUSINESS COMPUTING

transmissions at least 4½ times faster than today's standard modems, which operate at 28.8 kilobytes per second. ISDN's fast multiple channels make this service ideal for connecting a home office computer to a company computer network.

The availability of ISDN is uneven across the country, however. For information on ISDN service in your area, call your local telephone service provider.

\$150, making them the new office standard.

Fax/modems are becoming standard components of personal computers used in small firms and home offices, making it easy to send a document that has been created on the machine. But if a clipping, report, or printed document has to be faxed with it, another piece of equipment, a scanner, is required.

Until recently, scanners were bulky, relatively expensive, and difficult to in-

All these commercial services also offer access to the Internet, including its fastest-growing area, the graphics and multimedia-rich World Wide Web, which features business "home pages" of promotional information. If e-mail and the World Wide Web are your principal interests, though, a local Internet provider or a national one such as Netcom, with low time charges, might be the only computer connection your home office would need.

Whether a telecommuter connects to a personal computer local area network, or to a mainframe computer at the main office, or to an on-line service or Internet provider, a home office should have a fast modem and versatile communications software. These tools are necessary for communicating and transferring important files at speeds ranging from the now-antique 1,200 bits of information per second to the new standard of 28,800.

Obsolescence Or Opportunity?

The computer industry continues to improve performance at a rate that renders most models outdated almost as soon as they're purchased. Still, obsolescence is in the eye of the beholder; often, the demands of a home office will be less stringent than those of a business-based office, allowing older computers to have a productive second life—provided they maintain compatibility with the systems at the company's main site.

No amount of money spent on state-of-the-art technology can guarantee that a computer bought today will be up-to-date in the new millennium. "You can't say something won't be obsolete by the year 2000," says Jack Nilles, president of JALA International, a Los Angeles management consulting firm.

While small companies often are reluctant to replace functioning equipment, Nilles recommends a two-year PC-replacement cycle. "The benefits to an employer will more than pay back equipment costs in less than a year, particularly among executives," he says.

The direct benefits include increased employee effectiveness, decreased sick leave, lower turnover rates, reduced parking space requirements, and reduced need for office space. Nilles estimates a total annual cost benefit of almost \$11,000 per year per twice-a-week telecommuter at the management level. Compared with the \$2,500 to \$5,000 for a top-notch personal computer, he says, providing company personnel with one at home is a winning investment.



PHOTO: GERALD MARCO-BLACK STAR

Marc Accristo, a sales representative for a venetian-blind company based in Indiana, works out of his home office in Harrisburg, Pa.

If you decide to stick with standard phone lines, you'll probably need at least two, with one solely for fax and data telecommunications.

Telecommunications Devices

The first decision on communications hardware for a home office is whether to adopt an all-in-one approach—opting for a fax/modem and even voice-messaging functions installed in a personal computer to save space—or whether to go with stand-alone fax and answering machines for greater reliability and uninterrupted usage. (Imagine not getting an important fax because the computer was turned off.)

The decision may depend on the amount of communications traffic, with higher-volume offices calling for stand-alone equipment.

Small-volume operations have yet another option: voice-mail and call-forwarding services offered by local phone companies.

Equipment choices are rapidly evolving. Just a few months ago, the fastest standard modems for personal computers transmitted data at the rate of 14.4 kilobytes per second; now, because of falling prices, modems that are at least twice as fast can be purchased for as little as

stall. But the new WinFax Scanner from Delrina Corp., about the size of a loaf of bread and selling for around \$300, shares the parallel connector used by most computer printers.

Meanwhile, the prices of stand-alone plain-paper fax machines are dropping below \$500. And manufacturers including Brother, Canon, Hewlett-Packard, Okidata, Ricoh, and Xerox are offering combination machines—fax, laser printer, copier, and scanner—at less than \$1,000.

The biggest recent change in business communications—the spectacular growth of e-mail—has contributed to the viability of the home office. E-mail can be read and transmitted anytime, anywhere. An employee with an e-mail address on a company network will want to maintain it from home rather than open another account and add a second e-mail address to business cards.

Those who don't have an e-mail address can have one set up and have it maintained economically for a home office by an Internet access provider or an on-line information service. Leading computer on-line services have become household names: America Online, CompuServe, Prodigy, and The Microsoft Network.



To order a reprint of this story, see Page 72.
For a fax copy, see Page 5.

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MARKETING COMMUNICATIONS

Be Your Own Wordsmith

By John M. Mora

Kent Carlson knew all about making high-quality, lightweight bicycle parts for bike racers and shops that cater to serious cyclists. But when it came time to write a brochure promoting his company's products, he drew a blank.

"The goal of our brochure was to show that our products are radically different from anything out there," says Carlson, owner of Sweet Parts, in South Pasadena, Calif. "We also had to convey some very technical information in understandable terms. Frankly, I didn't know where to begin."

Many business owners and managers have encountered this problem. It's one thing to know your products or services well, quite another to translate that knowledge into persuasive, easy-to-read copy.

Writing brochure copy can be intimidating. But take heart. It can go a lot easier if you follow these 10 tips.

1. Know Your Target Reader

Whether you're preparing for a visual presentation or a phone call, you know that the key to any sale is to know the prospect. Writing effective copy for a brochure is no different.

Knowing your reader means first identifying your prospect's "hot buttons," or unique needs and concerns. Before you touch a pen or a keyboard, ask yourself: What is it about my product or service that will benefit the reader most? How, exactly, will it benefit the reader?

2. Identify Your Brochure's Function

Will it be used as part of an in-store display, a direct-mail package, a

John M. Mora, a free-lance copywriter and marketing-literature consultant, is president of Creative CopyWriting, in Plainfield, Ill.

selling tool for sales reps, or the centerpiece of a media kit? If you don't have a clear understanding of its role, your brochure may not deliver the information its recipients would expect.

Faced with the tough job of writing a brochure? These tips for on-target copy can help turn prospects into clients.

brochure's overall impact is then diminished. If your budget allows, consider creating different brochures for different audiences.

3. Use An Outline

If you're having a hard time deciding on your brochure's content, you can narrow your options and organize your thoughts by drafting an outline. A basic outline for a product brochure, for example, might include:

- The lead, or opening text.
- Benefits.
- Features.
- Applications.
- Availability and options.
- Technical specifications.
- Background on the firm.
- Support and service.
- Ordering information.

Other elements you might include are the results of laboratory tests, charts comparing your products with those of other companies, and a guide that covers the range of your products or services. You also may want to include a price list, although you may prefer to use a separate sheet or insert so that you wouldn't have to revamp the brochure if your prices changed.

4. Grab The Reader's Attention

Although graphics and design together play a large role in creating interest in a brochure, the text on the cover copy and the first few inside paragraphs must entice your prospect into continuing to read. An effective way to do this is to address an urgent and immediate concern.

"We knew that our brochure had to capture the attention of people who need their packages delivered yesterday," says Qusai Mahmud, co-owner with his wife, Denise, of Apex Courier Ltd., in Chicago.

Two years ago, when he was a downtown bike messenger, Mahmud saw a need for a



PHOTO: GINETTE LANGA

Bicycle-parts manufacturer Kent Carlson hired an expert to produce his firm's brochure, but other owners try their own hand.

To get more for their money, many companies take a "one-size-fits-all" approach. Although it's possible to create an all-purpose brochure, it's much harder to write copy for a broad audience than for one that's more narrowly focused, and the

MARKETING COMMUNICATIONS

firm that could make deliveries for clients in as little as 15 minutes. He quit his job to start a courier business, and he hired a local free-lance copywriter to write his brochure. The opening text was written from the point of view of an office assistant who was worried about losing her job because the courier service she had picked had been late in delivering a package.

During Apex's first few months of business, it received several comments from new customers who said they could identify with the situation conveyed in the cover copy.

5. Emphasize Benefits

While a product's or service's features are important in a brochure, most advertising and marketing experts say the key selling points are its benefits.

Does that mean you should leave features out? Not at all. Your customers need all relevant facts to make an intelligent buying decision. Buyers, whether in industry or the consumer market, usually review product literature thoroughly before making a major purchasing decision.

But before you introduce those hard, cold facts, let benefits take center stage. If benefits are spotlighted first, prospects who have a genuine interest are likely to read on for information on features.

6. Make It Quick And Easy To Read

Recall the last time you faced a pile of written materials and wished you had time to read them. If you're like most busy people, you probably went into "scan mode" and skimmed through several brochures, fliers, and booklets.

When writing your copy, keep in mind that not everybody will read every word you write. On the positive side, however, most who see your brochure will read at least some of it.

That's why it's important to divide text into short blocks of copy and use descriptive subheads. For example, in the benefits section, you can use a short descriptive phrase as a subhead for each point, followed by a more detailed explanation.

Use a short list or two with eye-catching typographical devices such as dots or check marks. They can be effective for attracting those in "scan mode" and can also make it easy for readers to pick up vital information quickly.

7. Make Your Brochure A "Keeper"

Are there valuable facts related to your product, service, or industry that are worth keeping on file? If so, try creating a

checklist, chart, graph, or illustration that prospects can refer to repeatedly.

Apex Courier used the back page of its brochure for a rate chart, which many of its customers keep on hand. "We frequently get calls from customers who haven't used us in a while and want to know if the rate chart has changed," says Mahmud. "That's a pretty good indication that the chart helps keep our brochure from being thrown in the garbage."

Although you want your brochure to elicit instant response, many factors may cause prospects to file it or toss it. Since your materials have cost you time, money, and effort, give the prospects something they will want to keep.

8. Be Brief

Nathaniel Hawthorne once said, "Easy reading is damn hard writing." Your brochure will convey a sales message more effectively if it's written concisely. Wordiness is a sleeping pill for the reader.

A sentence longer than 30 words usually needs a "brevity check." First, look for words that don't add to the thought you are conveying. Then check for redundancy; perhaps you've said the same thing twice, even if in different words. If all else fails, try re-writing the sentence to form two sentences.

And avoid the trap of the run-on sentence, in which two or more sentences are unnecessarily joined as one.

9. Be Creative

"You cannot bore people into buying your product," Madison Avenue guru David Ogilvy wrote in his book *Ogilvy On Advertising*. "You can only interest them in buying it."

The best way to interest readers is to write copy that not only informs but also keeps them reading—copy that's crisp and

creative. Yes, brochure writing can be creative. The secret is finding interesting ways to convey your passion and excitement about your company and what it does. Here are some tips for writing creative copy:

First, tell a story. An effective way to do this is to use case histories of how your product or service helped clients solve problems or create profits.

Second, be personable. Don't write "encyclopedia copy." Try to write much as you speak. If a personable style is not appropriate for your audience, at least try to avoid getting too technical and wordy.

Third, write first, edit later. Don't write and edit at the same time. If your deadline permits, walk away for a few days before you come back to the rough draft. With a fresh perspective, you can catch errors and easily plug information gaps.

10. Don't Be Afraid To Get Help

If you have followed the previous nine tips and are still experiencing "writer's block," or if a deadline has crept up on you and your staff, don't be afraid to use outside help.

Carlson of the bicycle-parts manufacturer Sweet Parts hired a free-lance copywriter who specialized in the sporting goods industry and was a bicycle racer.

"I just kept putting it off, and I had to have a brochure for an upcoming trade show," says Carlson. "Being a small shop focused mainly on just getting a product out there, I chose to hire outside help to get the brochure done."

"I'm glad that I did," he adds. "I just couldn't have done as good a job, even if I had the time."

Advertising and design agencies often employ copywriters, or they may subcontract with free-lancers who have expertise in various industries or types of products.

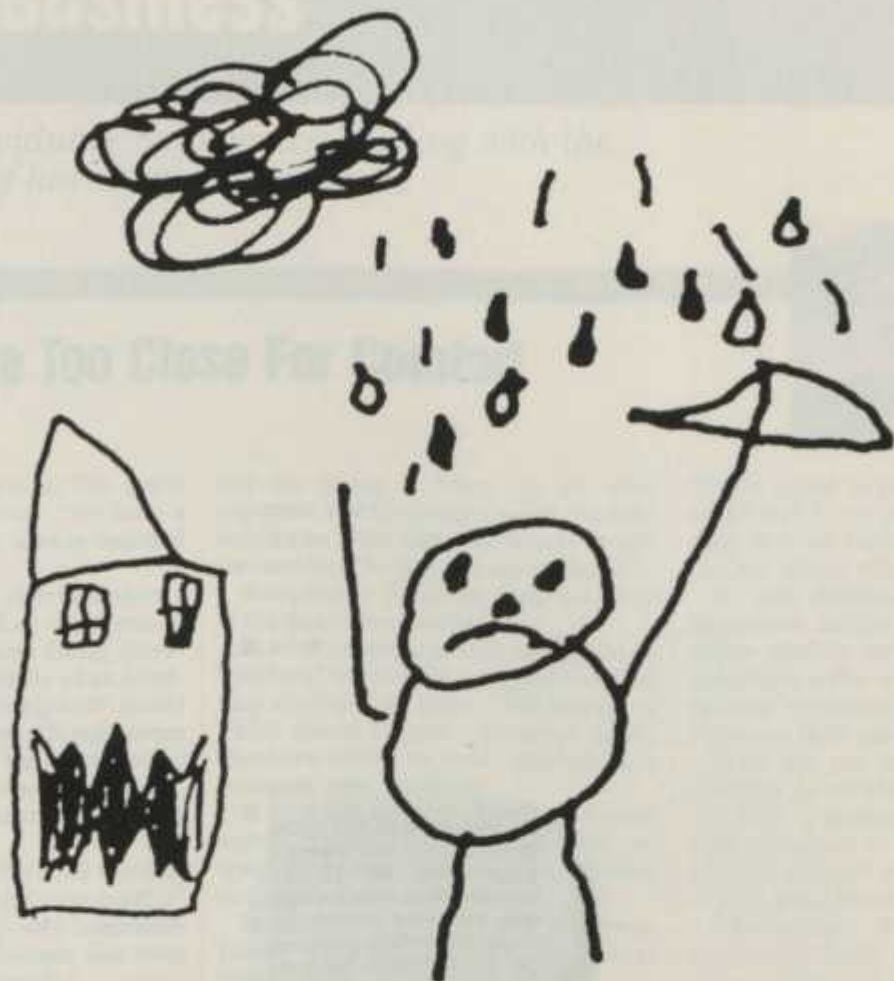
Another possibility is to hire directly a free-lance copywriter who has experience in your field. Check your local business-to-business Yellow Pages under the writer category. Be sure to check references among companies that have hired the writer, and ask for samples of other brochures the person has written.

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Family Business



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Family Business

Respecting individuals' boundaries; dealing with the dual pressures of harmony and survival.

OBSERVATIONS

When You're Too Close For Comfort

By Sharon Nelton

Many times over the years, I've heard family-business owners say, "We have a close-knit family." That always sounded like a good thing.

And so it caught my attention when a longtime friend, SaraKay Smullens, a Philadelphia marriage and family therapist, said she gets suspicious when someone says they have a "closely knit" family rather than a "close" one. "It may mean that no family member can leave and no new ones can enter," she explained. I wanted to know how that applied to a family business.

"Closely knit means, 'We're all together as one.' Psychologically, that's not healthy," she said. "A close family sees boundaries and sees a group of individuals who work together toward common goals."

In Smullens' view, "The main job of parenting is to prepare our children to grow and evolve and mature and stand alone." The danger in some families, she said, is that members think the family is close when it is actually "enmeshed." In such families, Smullens said, the success of the business

and the money it brings in are more important than the family's health. "And the boundaries of the individual sons or daughters and their families are not respected."

According to Smullens, these are some of the signs of a close family:

- Adult offspring are not referred to as "children" but as sons and daughters, and they are called by name. "The concept of 'child' should be gone whenever family members decide to work together in a business," said Smullens.

- Sons and daughters feel economically and emotionally self-sufficient. They respect the parents but don't feel beholden to them.

- Ideas are valued and respected. Family members are able to express differences of opinion without fear.

By contrast, in an enmeshed family, the parents are in control, she pointed out. They stand in the way of the growth of their offspring. They don't make requests; they issue orders. If you're a son or daughter, said Smullens, you may be too weak to disobey your parents' wishes.



PHOTO: T. MICHAEL REZA

"You're afraid to give an opinion. You're afraid that if you do, the money that you draw from the business can be affected or another sibling will gain over you."

In such families, she said, you find depression, alcohol and drug abuse, and affairs. And the marriages of the younger generation suffer because it's hard for the spouses to respect mates who are controlled by their parents.

What can you do if you are a son or daughter in an enmeshed business family? Find a professional—a family-business consultant or a family therapist—who can help you check out the accuracy of your perceptions.

"Sometimes," Smullens added, "you can leave a family business, achieve success on your own, and then join it again, with a whole different perspective for yourself that is seen by those you're working with in your family."

If you get experience elsewhere first, or if you're in a family business and you leave, she said, "it doesn't mean you can't come back."

PLANNING

'Run The Business Like A Business'

By Craig E. Aronoff and John L. Ward

Many family-business leaders we know profess that the key to success is to "run the business like a business." As one chief executive of a company that does injection molding told us, "If we don't run the business like a business, the family won't have a business to run."

But we often hear the opposite refrain. A family firm in banking recently put it this way: "If the family isn't happy, it won't matter how we run the bank. Why else have a family company except to serve family needs? Why would anyone put up with all the challenges if it weren't good for the family?"

Listening to these two viewpoints, you

might think that "family business" really is an oxymoron. Must family needs and business discipline present such a paradox?

The solution to the paradox, we believe, lies in what you mean when you say "run the business like a business."

Sometimes that phrase is a cold statement calculated to shelter the business leader from family members' nagging demands and criticisms. Other times it connotes a code of ethics to serve everyone's interests.

Our experience suggests that the first case can be a symptom of major problems to come.

In the second case, the very same



PHOTO: T. MICHAEL REZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. They are principals in the Family Business Consulting Group, Inc.

PLANNING

phrase offers a principle very helpful in managing future conflicts.

The leaders of a family firm have a herculean challenge. They have the endlessly complex job of keeping the business strong in an incredibly turbulent, competitive fight for survival and success.

But the challenge and complexity are frequently underestimated by family members not engaged in the business every day. They too often see more clearly the perks and privileges that the involved family members enjoy rather than the stresses and strains they undergo.

As if the business challenge were not enough, family-business leaders are expected to respond sensitively and generously to family questions, concerns, and needs. After all, isn't that the leader's job when the business has so much opportunity to satisfy family goals? Isn't that the leader's duty when it is his or her privilege to oversee the business that is part of every family member's heritage?

Sometimes the dual pressures of assuring competitive survival and family harmony become overwhelming. In a desperate search for relative simplicity and personal peace, a business leader might exclaim, "Let me run the business like a business!" Translation: "Leave me alone!" Perhaps understandably, the phrase becomes a defense mechanism, maybe even a trump card, designed to gain the final word in a way that separates family issues from business needs.

This tactic rarely works. It usually backfires. Because family members not employed in the business can't fully appreciate the CEO's professional frustration, the message is interpreted as selfish. As one physician who is a shareholder in a family business once told us, "What my uncle is trying to do is keep us away from the business. But the family firm needs to accommodate family goals."

Partly true. For a family business to remain successful as a family business, shareholder goals and needs must be acknowledged and must receive satisfactory responses.

Business leaders must work hard to accommodate family interests such as meaningful career opportunities, access to liquidity, or help in hard times.

So we've come full circle. There's no escaping that good family business is good for family and good for business.

The business leader can't hide from the

family behind a veil of "running the business like a business." But at the same time, family members must learn not to expect the business to solve all their problems. For it to do so could weaken the business.

Moreover, they may be shirking personal responsibility for solving their own problems, and they may be unfairly damaging the interests of innocent others—employees, for example.

What's the solution? Business leaders should be as attentive to family members' needs as possible, short of harming the interests of others.

But before putting any additional pressures on the business, the family should agree on methods to reconcile family-business conflicts. They should, for example:

- Develop family policies that anticipate as many family-business issues as possible. Gain family agreement on rules about family employment, compensation, dividends, ownership, etc.

- Invigorate the board of directors with strong outsiders. No matter

what size the company, experienced, objective business people can help balance business and family concerns and can help denote boundaries between the two.

- Initiate family meetings as a communication and conflict-resolution mechanism. Although many families find it difficult, open discussion of facts and feelings can build understandings and relationships essential to the long-term survival of the family firm.

- Agree on methods to reconcile family-business conflicts. Determine what types of conflicts should be dealt with in family meetings and what kinds should be resolved by company management or the board.

Perhaps most important, help the family recognize and articulate its guiding principles as a business-owning family. And we suggest that the first principles include: "Run the business like a business."

Rather than being a statement by a frustrated business leader facing a family problem, it becomes the advance agreement by the family on how to address family-business issues.

The agreement acknowledges that there will be family-business dilemmas and provides an objective, independent framework in which to address issues in a manner fair to all.



ILLUSTRATION: TROY THOMAS

MARK YOUR CALENDAR



Nov. 14, Randolph, Mass.

"Leadership Succession: How Can the Family Business Meet the Needs of Different Principals?" is a breakfast session of the Northeastern Center for Family Business. Call Paul I. Karofsky at (617) 320-8015.

Nov. 14, Beverly Hills, Calif.

"The Family Office Forum" looks at starting and running offices to manage family wealth. Call the Institute for International Research at (212) 661-8740.

Nov. 17, San Antonio

"Family Team Power: Achieving Balanced Communication and Conflict Resolution" is a seminar sponsored by Baylor University and St. Mary's University. Call Susan Meachum; (817) 755-2265.

Dec. 1-2, New York City

The "Family Businesses Forum," sponsored by Cornell University, focuses on long-term, successful management. Contact Ann Sampson Poe; (607) 255-0398.

Dec. 5, Miami Beach

"Family Business Financial Issues" is a free two-hour seminar covering estate and retirement planning and cash and credit management. Call Philip M. Caso of Merrill Lynch at 1-800-876-9009.

Dec. 5-8, Miami

The "Leadership Development Program for Latin America" is for members of the successor generation in Latino family businesses based in either the U.S. or Latin America. Call Timothy Habbershon at the Wharton Family Business Program at (215) 898-4470.

Feb. 9-16, Longboat Key, Fla.

The 1996 Florida Winter Family Business Seminar is sponsored by the Goshen (Ind.) College Family Business Program and the Delaware Valley (Pa.) Family Business Center. Topics include succession planning and the role of directors. Call (219) 535-7135 or 1-800-807-2110.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

FUTURE FAX

Try This New Information Delivery System, RIGHT NOW

You're talking with your customer, answering questions and describing your products. He wants to see some printed information. You scribble his name and address on an envelope, and put a brochure in the mail. A few days later, you remember the client, fumble for the address and your ticker file reminds you to call back and follow up.

"What do you think of my products? Did you get my brochure?" "No."

He never got it. It got lost in the mail, it came to the wrong office. He thought it was junk mail and trashed it. Maybe you forgot to send it. It doesn't matter what excuse you use, the fact is that you lost a sale. In the age of fax and e-mail, you might as well use courier pigeons as the post office. Yet mailing printed material is business as usual for most business owners.

What about fax technology? If the client asks for printed information, you take his fax number, drop papers in the fax hopper, and he gets your material right away. That's better, but it's still old-fashioned.

There is a smarter way to get information to prospects. Consider this: You give your client your special phone number. The system asks what information he wants and requests his fax number. He keys in his fax number and hangs up. A few seconds later the prospect gets your printed information along with a menu of additional options. The menu can say "Extension 101 is a product price list. Extension 102 has information on our financing plan. Extension 103 is the specifications on our deluxe model." The customer then calls back for more details Right Now. Your customers can get the information they want, right now, right in their fax machine, or the fax machine of their boss. And it happens NOW. That's how MarketFax delivers information.

A New Technology

MarketFax is a new technology from Alternative Technology Corporation, Hastings-on-Hudson, N.Y. It combines new computer technology with voice cards, fax boards, and easy to use software to create a whole new type of information system. It's a better way to deliver information. It is instantaneous. It responds to the client when they are interested. It gives your clients exactly what you want them to see. It's an entirely new service and it can work for you. It's easy for your clients to use, and changes how you get information into the hands of people who want it.

To compete in today's rapidly changing global markets, savvy business owners use new technology to improve channels with clients.

Here's an example: The Boston Computer Exchange took all the documents they normally mailed to their clients and put them into the MarketFax system. They have price sheets, news items, hot products, policy statements, listings forms, nine-year price comparisons, order forms, and everything else. It's all available to any client anywhere in the world who has a fax machine. Americas Trading Company in New York uses MarketFax to list auctions and inventory liquidations in a timely fashion. Everything they have in writing is available to all clients; anytime; to any fax machine.

The Complete Package

OK, so it delivers information right now. It must be hard. NO. The best part of MarketFax is that it is as easy for the owner to use as it is for the customer. The system is delivered as a complete package based on a personal computer, with a scanner, some specialized computer boards and amazing software. All you do is plug it in, scan in your documents and begin telling people how to get it. That's it. It's easy.

Now when a client asks for more information on your products, you answer, "Give me a fax number and you'll have it right now." Your customer can take care of their own information. Anytime. To Any fax machine. When they are HOT. You can also get prospects' phone numbers for your sales people to contact.

MarketFax has enough extra capacity that you can lease extra extensions to friends and other businesses to help defray costs. MarketFax can store codes for up to 1,000 separate multipage documents.

Savvy business owners are finding hundreds of new uses for this kind of fax response technology. MarketFax can be a business in itself. You could connect it to a 900 phone line and sell information on your own or other people's products.

Try it. Right Now. Call 914-478-5906. Try Extension 606 for The Boston Computer Exchange. Ask for Extension 614 for Americas Trading Company as an example. If you want more information on MarketFax, punch in Extension 727.



President & Founder Tom Kadala says "Savvy business owners are finding hundreds of new uses for this kind of fax response technology."

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INTERNATIONAL MARKETS

Trade Tide Rises Across The Pacific

By Roberta Maynard

Explosive economic growth in Asia is only one part of the plot—although probably the most significant one—in the story of how a small landscape architecture firm in California came to participate in urban planning in Hanoi and park planning in the Chinese province of Guangdong.

A trip to Vietnam two years ago, followed by several visits to China soon after, got Sheila Brady, president of Brady and Associates Inc., in Berkeley, into the Asian market. Meetings with government officials yielded contracts for urban-design and environmental-planning services, which are in great demand in that market after a decade of explosive, largely unrestricted growth.

In fact, the economies of most Asian countries are continuing to expand at 6 to 10 percent a year, compared with the world average of about 2 percent. That growth has been creating a whole new range of opportunities for foreign companies.

The positive experience of Brady's company—with \$2 million in sales last year and 23 employees—shows that small U.S. firms can gain a piece of the action in the booming part of the world known as the Pacific Rim.

From Japan to India and Indonesia and south to Australia and New Zealand, this melange of markets on the Pacific's western edge has emerged as a hotbed of trade activity and a gold mine for an increasing number of American firms. Between 1989 and 1994, U.S. merchandise exports to the region expanded by 42 percent, to \$134 billion from \$94 billion. The forecast for 1995 is \$175 billion.

The area's robust growth has attracted investors, too, despite concerns about political stability in a few countries. In a 1994 survey of 200 leading multinational companies, conducted by the consulting firm Ernst & Young, 70 percent considered the Pacific Rim an investment priority. Of the top 10 emerging markets identified by those firms, the top three are in Asia: China, named by 57 percent of respondents; India, 17 percent; and Indonesia, 16 percent. Also on their priority lists were Thailand, Malaysia, Hong Kong, and Taiwan.

Most Asian countries are moving toward industrialization but are in varying stages of development. The so-called Four Tigers—Hong Kong, Singapore, South Korea, and Taiwan—are known as newly industrialized

countries, whereas China, India, Indonesia, and Malaysia still are considered emerging economies.

Indonesia, for example, is the commercial capital of one of the region's fastest-growing clusters—the countries belonging to the Association of Southeast Asian Nations (ASEAN): Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, which became a member country in July.

Until this summer, Indonesia was the only ASEAN country on the U.S. Commerce Department's list of 10 Big Emerging Markets (BEMs), which are considered priority markets for U.S. exports and investment.

Signifying the growing importance of the region, the administration recently added the remaining ASEAN countries to its list of BEMs.

Signs of the area's economic vitality can be seen in the 1994 growth rates of individual countries' gross domestic products, such as: Malaysia, 8.7 percent; Singapore, 10.1; Thailand, 8.6; and Vietnam, 8.8. And several sectors within various countries posted even higher growth rates. The medical-equipment market, for example, grew by 20 percent in Thailand and 43 percent in the Philippines. The telecommunications market in the Philippines grew by 39 percent, and pollution-control equipment grew by 50 percent in Thailand.

At the northern end of Asia, and the other end of the growth spectrum, is Japan. With its comparatively slow annual growth—of about 2.5 percent projected



PHOTO: RODRIGUE OLSON



PHOTO: T. MICHAEL REZA

Landscape architect Sheila Brady and home builders Ronald Nocera, left, and George S. Henderson Jr., CEO and president, respectively, of Chadwick International, are among U.S. small-business executives entering Asian markets.

for 1995—Japan appears to stand in contrast to other economies in Asia. But the growth figure is relative. "Economically and technologically, Japan is still head and shoulders above everyone else in Asia," says Richard Drobnick, vice provost of international affairs at the University of Southern California. "One percent growth in Japan dwarfs in total dollar terms the rest of Asia."

And it was Japan that fueled much of

The expansion of Asian economies has created a wealth of opportunity for U.S. firms.



PHOTO: T. MICHAEL KEZZ



PHOTO: GLEN KIRBY

Dredging equipment from Peter Boice's company is sold throughout Asia for port-development and land-reclamation projects, while Japan is the top overseas market for Prince Aircraft Co. and its president, Lonnie Prince.

the growth elsewhere in the region. For example, investment from Japan and the U.S.—nearly evenly matched—made up 55 percent of total foreign investment in Malaysia in 1993. For two decades, Japan also provided most of the region's high technology.

During the 1970s, the number of U.S. patents granted to Asian inventors nearly doubled, and in the 1980s it tripled, according to the National Science Foundation.

Japan represented about 95 percent of that new-patent activity.

And while competition is generally stiffer and profit margins smaller for many goods, opportunities still can be found for exporting to Japan. For example, Japan is the No. 1 overseas market for Prince Aircraft Co., in Whitehouse, Ohio, one of a handful of U.S. companies that make prototype propellers for various uses. Its six-person shop has no shortage

of work from Japanese customers.

Throughout Asia, privatization and deregulation, rising living standards, and shrinking trade barriers have combined to create enormous opportunities, particularly in transportation, environmental projects, and telecommunications. In fact, the world's largest number and highest total dollar value of planned infrastructure projects (energy, transportation, telecommunications, and environment) are in the Chinese Economic Area, composed of China, Hong Kong, and Taiwan. An estimated \$500 billion is planned for such projects over the next six years.

How quickly the physical and economic landscape is changing can be seen in

Vietnam. Hundreds of good restaurants are open in Ho Chi Minh City, which previously had only four or five, says Patrick Lorum, director of Technomic Consultants International's new office there. And the country has plenty of consumer products, such as motorbikes, that two years ago were scarce. Lorum's company, which provides marketing consulting and is based in Northbrook, Ill., hopes to gain an early foothold in this market.

Thanks to the growing presence of firms such as Technomic, hotels, office buildings, and apartment buildings have sprung up, creating a new skyline virtually overnight, Lorum says. As in most other major Asian cities, construction cranes are everywhere.

As a result, U.S. firms are snatching up infrastructure opportunities in every corner of the region. Ellicott Machine Corp., of Baltimore, sells its dredging equipment in virtually every Asian country. Reflecting the development of ports and airports as well as land-reclamation and related projects, more than half of the company's projected sales next year will be in Asia—more than \$25 million.

The consequences of this booming growth—a new awareness of community planning, for instance—have benefited Sheila Brady's landscape architecture company, so much so that Brady's long-range plan is to establish a small office in Asia. Similarly, interest in protecting the environment, as evidenced by recent legislation on pollution control in several countries, is a boon to environmental services and equipment firms such as Aquatics Unlimited, in Martinez, Calif.

The company, which designs and manufactures equipment for controlling water pollution, got its first Asian order about 10 years ago—a contract with the Japanese government to develop technology to keep away weeds that impeded water flow to freshwater pearl cages.

"That started us traveling in the Pacific Rim area," recalls the company's president, Thomas J. McNabb. When the Korean government passed requirements to clean up its waterways in the late 1980s, McNabb was there. He strengthened marketing in the region and started attending environmental trade shows to seek out new markets. When the economy

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slowed down in the late 1980s, he says, the company stopped advertising in the U.S. to concentrate on Asia.

Beyond Infrastructure

Another potential gold mine is consumer goods, which are increasingly in demand by Asia's growing middle class. Growth in sales of these products is virtually guaranteed, given the size of the region's populations, including three of the world's four largest: China (1.17 billion people), India (900 million), and Indonesia (200 million). The U.S., with 250 million, is third.

A Fairfax, Va., company is among the small American firms poised to take advantage of this trend; it plans to sell and offer financing for modular homes ranging from \$36,000 to \$110,000. After initial success in some African markets, the 100-employee company, Chadwick International Inc., is heading for Asia. It plans a 200-home project for tourists and retirees next to a golf course in the Philippines. The company is also close to concluding deals in South Korea and Thailand, according to the company's chief executive officer, Ronald M. Nocera.

"Most of the emerging markets have tremendous needs," Nocera says. "We're starting with the upper middle class, including expatriates and tourists, and then we'll try to blend products for lower and middle classes." The four-year-old company expects its 1995 revenues of \$30 million to double in 1996. As part of its strategy for capturing international sales, the company is building a village of its ranch-style homes near its manufacturing facility in central Florida. The outdoor showroom will allow potential overseas customers to view the finished products as well as the manufacturing process.

Doing Business in Asia

Projects such as Chadwick's reflect a change in how Asian companies are doing business, a change that is positive for companies seeking a piece of the Pacific pie.

"Most Asian economies are becoming more outward-looking, developing exports and increasing their ability to absorb higher-value imports," says Karan Swaner, manager of Asian affairs at the U.S. Chamber of Commerce, in Washington, D.C.

There is a greater willingness to find sources globally and to form business-to-business relationships such as licensing

**The Pacific Rim**

Gross domestic product for 1993, in billions of U.S. dollars.

	GDP	GDP Growth Rate	Per-Capita GDP
China	\$2,610	13.4%	\$ 2,200
Japan	2,500	0.0	20,400
Indonesia	571	6.5	2,900
Korea	424	6.3	9,500
Australia	340	4.0	19,100
Thailand	323	7.8	5,500
Taiwan	224	6.0	10,600
Philippines	171	1.4	2,500
Malaysia	141	8.0	7,500
Hong Kong	119	5.2	21,500
Vietnam	72	7.0	1,000
New Zealand	53	3.0	15,700
Singapore	42	9.9	15,000
Myanmar (Burma)	41	5.0	950
Papua New Guinea	8	1.2	2,000
Cambodia	6	7.5	600
Laos	4	7.0	900
Macao*	4	12.0	7,300
Fiji	3	1.0	4,000
Brunei**	3	1.0	9,000

*1992 figures **1991 figures

SOURCE: DUN AND BRADSTREET INFORMATION SERVICES

arrangements and joint ventures, Swaner says. "Asian firms are also able to get financing from their banks and governments that they couldn't get 10 or 15 years ago, partly because now they are seen as the engines of growth in their countries," Swaner says.

One thing hasn't changed, though. Successful trade with Asia still depends on establishing relationships, and that requires a willingness to spend time in target markets. A company has to take steps to build such relationships, says Swaner—but that can be a difficult concept for some American executives. "Efforts can't all be goal-oriented," she says. "It's important to meet with people, even if there is no apparent deal at stake and even if they are not directly in your sector."

Landscape architect Brady established herself by becoming part of a trade-group delegation to Asian countries, spending time visiting government officials and private groups.

"The net gets larger once you start making the contacts," says Brady. "We

have to develop work in Asia in a low-overhead way. It's definitely a networking operation." Brady says that the best way to learn about trading in Asia is to join an organization involved in Pacific Rim trade. (See the box on Page 56.)

Water-treatment entrepreneur McNabb has found that constant presence is essential to success: "If you want to be in [Asia], you have to make a commitment. Go there, do presentations." About every two months, McNabb does just that, even though he has field staff members in Asia. "Keep showing up. Keep going back," he says. "Eventually, they know you're serious. The main thing is, it's all long-term."

And after a decade of doing business in Asia, the strategy has proved effective. Aquatics Unlimited receives about 50 inquiries a week from the region. McNabb expects annual revenues—about 70 percent from Asia—to be \$5 million this year and to more than double by 1997.

For various reasons, it can take a long time to complete a deal. Peter Bowe, president of Ellicott Machine, signed a contract in April to provide dredging equipment for an infrastructure project, culminating a nearly four-year process. Projects with government bureaucracies are likely to be especially drawn out. In Indonesia, for example, Ellicott's biggest Asian market, Bowe typically deals with four ministries for one project.

The difficulty of doing business varies considerably and should be a consideration in choosing markets. "In terms of ease of doing business, the No. 1 markets are Malaysia and Singapore," says USC's Drobnick. "They are the most transparent and predictable." There, he says, you don't need a guide, you can drink the tap water, there is political stability, and the legal systems are based on Britain's. After that come Thailand and Indonesia. In all these economies, Drobnick says, there are or soon will be world-class facilities; where airports are being built, for instance, they are state-of-the-art.

Says McNabb: "Asia is easier than other foreign countries—and actually easier for us than the U.S. because there is no competition and the profit margins are better. The key is to be the first one into a market, to get established." McNabb recently signed an agreement with Indonesia to help clean up the country's 13 major rivers.

Some countries, though, still lack basic

I feel great.
My check-up was a breeze.
This dough is perfect.



My eyes hurt.
I need my vision checked.
I need more crumbled cookie things.



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INTERNATIONAL MARKETS

amenities to which U.S. business people are accustomed. In others, such as Vietnam, these amenities are costly. A shuttle bus from the airport to Ho Chi Minh City that costs 70 cents for locals costs \$7 for foreigners—on the principle that the locals subsidize costs through taxes. And a foreigner's electric bill is roughly twice what locals pay.

Leveling The Playing Fields

There are many other challenges as well for U.S. entrepreneurs. Some countries, including South Korea and China, remain relatively closed and very difficult to penetrate, says the U.S. Chamber's Swaner. Many have dropped stringent import restrictions, not across the board but depending on what they need or want. India, for example, to favor its domestic industries, has made it almost impossible to import many consumer goods. But it has significantly eased the importing of capital goods and dramatically dropped tariffs on computers.

Slowly, restrictions in some of these countries are easing. Trade developments and trading blocs elsewhere in the world, including the North American Free Trade Agreement, the creation of the European Union, and Mercosur (an agreement, in effect since January, establishing a common market among Brazil, Argentina, Uruguay, and Paraguay) are putting pressure on the region to open markets, Swaner says.

Steps are being taken to ease everyday business transactions, primarily through improved customs clearance and systematic record keeping for Asian tariffs.

**"Today's western frontier
is just across the shrinking
'Pacific pond,' in the dynamic
nations of East Asia."**

—Richard Drobnick,
University of Southern California

Challenges that lie ahead include recognition of accepted standards and testing processes for products, Swaner says. And complicated legal issues, such as protection of intellectual property—an extremely important matter for U.S. companies—have yet to be resolved.

The Asia-Pacific Economic Cooperation (APEC), an 18-nation group that includes the U.S., has initiated many of these changes. Its goal is to achieve free trade in the developed Asian countries (Hong Kong, Singapore, and Japan) by 2010 and in the developing countries (China, ASEAN) by 2020.

"That's a very ambitious goal," says Swaner. "And we can [at least] anticipate that there will be steady steps to making it easier to do business. There is recognition [in Asia] that the restrictions inside of the countries are costing their own growth."

Seize The Opportunities

Although trade conditions may be far from perfect in some places, companies

shouldn't hesitate to take advantage of opportunities now, says USC's Drobnick.

"Companies waiting for Asian markets to level the playing field are going to give up millions of dollars of profit opportunities," Drobnick says. The first step for American managers, he believes, is to learn about the cultural and institutional characteristics of the Asian markets for the purpose of engaging Asian partners and competitors more effectively.

One way to do this, he says, is to tap as a resource the 32,000 Asian students in the U.S., most of whom maintain their relationships at home and eventually return there. "These students are usually smart and well-connected, and they know their home market," Drobnick says. "And it's a resource that Germany and Japan don't have." He recommends that businesses draw upon such students, who can be identified through deans at local colleges, to work as summer interns, to do research projects on their home markets, or simply to be sources of information about their culture or business customs.

"Today's western frontier is just across the shrinking 'Pacific pond,' in the dynamic nations of East Asia," Drobnick says. "Asians have increased their [personal] savings, increased output, and they have high capital-investment ratios. As long as there is political stability, they can expect to maintain growth. [As an exporter], you can make a lot of mistakes there and still make money."

To order a reprint of
this story, see Page 72.
For a fax copy, see Page 5.

Resources

Chambers of commerce in the United States and Asia and individual states' trade-development offices can be useful sources of information on getting started trading in Asia. Following are some additional resources.

Publications

Doing Business in Asia: The Complete Guide, by Sanjyot P. Dunung; Lexington Books, 1995, \$23.

Asia and Japan Business Information Sourcebook, by Christopher Engholm; John Wiley and Sons, 1994, \$45.

Asia Rising: Why America Will Prosper As Asia's Economies Boom, by Jim Rohwer; due from Simon & Schuster Nov. 14, \$25.

D and B's Exporter's Encyclopedia Regional Guide to Asia/Pacific Rim; Dun and

Bradstreet Information Services, 1995, \$100, 1-800-526-0651.

Organizations

■ **US-ASEAN Council for Business and Technology, Inc.**, Washington, D.C. Offers publications as well as associate memberships to provide help doing business in the member countries of the Association of Southeast Asian Nations. For more information, call 1-800-DC-ASEAN or (202) 289-1911.

■ **The United States-Asia Environmental Partnership**, a federally funded program with 17 field offices in Asia, matches Asian environmental needs with relevant U.S. experience. For information, call 1-800-818-9911 or (202) 683-2759.

■ **The U.S. Department of Commerce's Asia Business Center** and free automated fax line. Call (202) 482-3875, and dial 1000 at the prompt to receive via fax a list of documents pertaining to specific countries,

including trade statistics and events, investment climates, and fact sheets. To speak with a member of the center's staff, call (202) 482-2722. Trade data can be obtained from Commerce on the Internet at this address: <http://www.asiatrade.com/>

■ **The University of Southern California Center for International Business Education and Research** will offer seminars next June on doing business in four Asian countries. The center also will hold its annual Asia/Pacific Business Outlook conference in March. For more information, call (213) 740-7140.

■ Conferences and workshops are available through independent membership groups such as the **Asian American Manufacturers Association**, Menlo Park, Calif. (415) 321-2262; the **California-Southeast Asia Business Council**, Oakland, Calif. (510) 536-1967; and the **Pacific Rim Business Council**, Framingham, Mass., (508) 879-3808.

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Work habits developed at the start will last a lifetime. This program teaches six important attitudes and behaviors vital to job success: dependability, courtesy to both customers and co-workers; good grooming, following instructions, accepting constructive criticism, and managing personal relations on the job. Features John Astin. 19 minutes.



TELEPHONE MANNERS

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This valuable program demonstrates every important step in telephone usage, including identifying yourself and your organization, personalizing your calls, repeating all instructions given, taking notes on important messages, remembering calls on hold, listening to the caller's mood as well as the message, using common courtesy words and conveying warmth. Features Chad Everett. 11 minutes.



JUMP START YOUR BRAIN!

Jump Start Your Brain featuring Dr. Charleen Swansea demonstrates innovative techniques that can be used to unlock your capabilities and reinvent your thinking. 30 minutes.

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Understand your intellectual style.
Be a more creative thinker.
Utilize visualization and remembrance of your past.
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when your mind is run down.*

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Too much paperwork wreaks havoc in the workplace and disrupts productivity. This program humorously shows what happens when a support staff employee becomes overwhelmed by the sheer quantity of paper to be handled. The video gives specific strategies that support staff can use to reduce their individual paperwork burden and improve their efficiency and productivity; and concludes with 10 tips on how to cut paperwork quickly and permanently. 16 minutes.

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\$59



your audience, finding your goal and preparing your speech; and shows how to practice for eye-contact and rhythm. Sample speeches demonstrate basics everyone needs to know, pitfalls to avoid, successful introductions and conclusions, and tips even advanced speakers will appreciate and utilize. 32 minutes.

THE FINE ART OF KEEPING YOUR COOL

Robert Hays stars in this thought provoking program about missed deadlines. Concrete steps to overcoming anger and frustration, both personally and with staff, are presented. 15 minutes.

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MANAGING

Who Should Get How Much—And Why?

By Michael Barrier

It's an idea guaranteed to give a lot of traditional managers cold chills: Every year, employees put in writing what they think—not just of one another's performance, but of their supervisors' performance as well. Their evaluations help determine how much those supervisors get paid.

In fact, such evaluations are an important part of a Louisiana company's solution to one of the most nettlesome problems for companies that embark seriously on Total Quality Management or some variation on that concept. The problem lies in finding a way to determine pay for employees that doesn't undo a lot of the good that TQM is supposed to accomplish.

Laitram Corp., a manufacturing firm based in Harahan, La., just outside New Orleans, operates under what it calls the Laitram Continuous Improvement Program. The essence of that program, like that of TQM, is fostering cooperative effort among the people who work together in the company.

For Laitram, as for many other companies, it was difficult to reconcile such a program with the way American management has traditionally determined how much employees are paid. The money has been parceled out on an essentially competitive basis, with employees pitted against one another.

The late W. Edwards Deming, for decades the leading figure in the American quality movement, spoke of such "merit rating" with scorn: "It nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics."

Despite Deming's condemnation, many quality-oriented companies—Laitram among them—have decided that there is no satisfactory alternative to the individual performance review as a tool for evaluating and rewarding employees. Given that conclusion, their task has been to find some way to use those reviews to reinforce a company-wide team spirit, rather than diminish it. That is exactly what Laitram has tried to do.

A "multi-rater" program as comprehensive as Laitram's, encompassing review



PHOTO: JACKSON HILL—BLACK STAR

of supervisors' performance by their subordinates, is "still unusual" in U.S. industry, says Mary S. Fiss, a consulting manager with the Alexander Group, a compensation consulting firm in Scottsdale, Ariz. But, she adds, such programs are gaining acceptance as more companies shed the effects of "years of hierarchical behavior."

Laitram's experience indicates that such a program can work very well.

Laitram was founded by the late J.M. Lapeyre, and it takes its name from his middle name, Martial, spelled backward. Lapeyre's disparate inventions—he was awarded more than 130 patents—are the foundation of the company's four divisions. The largest of those divisions, Intralox, makes an all-plastic modular conveyor belt; the other divisions make such things as an automatic shrimp-peeling machine and a digital compass.

J.M. Lapeyre died in 1989. Even before then, his son Jay had taken over manage-

ment of the company, and he was moving to transform Laitram's authoritarian culture and the problems it had created. "We had everything from theft and drug use to poor quality," says Jay Lapeyre, the firm's president. "When you'd track these problems to the root cause, you'd get to the fundamental culture."

There also were pressing financial reasons to make a change. In the mid-1980s, says James W. Evans, Laitram's human-resources manager, "we were doing about \$20 million in sales, but it was costing us \$20 million to do that."

Lapeyre sums up in this way some of the fundamentals of the culture he wanted to imbue in the company: "We're all going to treat each other with respect; we're not going to get emotional and blow up. We had a lot of that. It was just a hard environment." He wanted to foster a culture characterized by teamwork and continuous improvement in productiv-

Intern M. Courtauld McBryde contributed to this article.

In a quality-oriented company, can you reward individual performance without souring the team spirit? A New Orleans company may have found an answer.



Culture shift: Jay Lapeyre, left, and Jim Evans are trying to align pay and performance at Laitram Corp.

even worse, because we were nice people and we were giving you gifts." Under the new system, raises in base pay no longer come automatically.

To balance that change in philosophy, Lapeyre introduced profit sharing. It was "absolutely vital" to the success of his effort, Lapeyre believes, because employees had to be shown that change would benefit them and not just their bosses. Each division has a separate incentive plan—although identical to the others—with the size of each division's pool determined by its own profits.

The first year, the company-wide total was about \$900,000. "Employees were skeptical of the whole system," Evans says, "until they started getting checks." Since the incentive program was introduced, the pool has shrunk only once, in fiscal 1994, by about 30 percent from the previous year. It rebounded in fiscal 1995, to \$3.2 million—its highest level ever.

When the size of each division's pool has been determined according to a permanent formula, Laitram divides up the money in each pool on what amounts to a merit-pay basis. Some individuals get significantly more than others—and not according to a rigid system, but through give-and-take among the division's managers and the corporate officers.

The transforming element in Laitram's program—what sharply diminishes the potential for purely arbitrary and subjective awards—is the employees' involvement in evaluating performance, and thus indirectly in deciding how the profit-sharing pool should be divided.

As part of the changes Jay Lapeyre initiated, employees since the late 1980s have been asked near the end of each year to make a confidential assessment of how well their supervisors are adhering to Laitram's business philosophy. Those assessments play an important part in evaluating the supervisors' work.

At first, Lapeyre says, the company's middle managers "really struggled" with the idea of surveying their subordinates in

this fashion. "After the first year, though, there was about 80 percent acceptance, because most [managers] got positive reviews."

The employees' evaluations are "critical" to their acceptance of the profit-sharing allocations, Lapeyre says. "We do one other thing that's vital," he adds, "and that's peer surveys," asking about firsthand experiences with co-workers. "If you haven't done that," he says of the peer surveys, "and you try to rank or evaluate people, you're on quicksand."

Such surveys are potentially dangerous, of course—they could make co-workers suspicious of one another. If managers introduce such surveys with "an intent to catch somebody, to nail somebody, it's never going to work," Lapeyre says.

But when surveys are used simply to gather more-accurate information about what's going on in the company, he says, it takes just a few years until "people love them—because the people who have never gotten recognition for doing great work are getting recognition."

Laitram uses the surveys, in other words, to make merit pay more truly merit pay. The Laitram system diminishes the damaging element of intramural competition, because it has been designed to single out the truly outstanding employees—the top performers who have lifted the entire company and so benefited everyone.

The system has its limitations. For one thing, Laitram has 70 or 80 Vietnamese-American employees, and Evans acknowledges that "we're not getting the candor from the Vietnamese group that we're getting from everyone else." Apparently there are cultural inhibitions that make the older Vietnamese-Americans, in particular, reluctant to criticize their superiors.

So, even for this quality-oriented company that has been working on it for seven years, pay remains in some ways a puzzle. But that's not really surprising. Continuous improvement in companies that wholeheartedly embrace the principles of the quality movement always comes at the price of continuous dissatisfaction.

"We haven't evolved far enough," Jay Lapeyre says, "and we're still pretty poor at executing, compared with what we want to become."

ity—goals advocated by thinkers like Deming.

More than seven years after Lapeyre initiated his changes, there is evidence of their impact throughout the company's facilities—for instance, the Intralox plant has that scrubbed-clean look that is so common to factories where the quality movement has taken root—and in its numbers. Sales have risen to \$92 million (in the fiscal year that ended March 31), and employee turnover has dropped from 36 percent annually to around 10 percent. The number of employees has almost tripled, to around 900.

Lapeyre's changes entailed setting a base pay for each employee that is "their approximate market value," as indicated by regional and local surveys, Evans says. That was a big change, Lapeyre says, because "we had an old-line business that had been very paternalistic. The idea was that you got paid based on seniority, or,

MANAGING

How To Thwart Cargo Thieves

By Ken Cottrill

Ron Collins, president of Computer Systems Unlimited (CSU), a Miami importer of computer-memory components and supplier of many leading U.S. computer manufacturers, used to be happy when his ship came in. Now he's learning to be wary, too.

"I've seen pallet-loads of hard-disk drives worth maybe half a million dollars just disappear," he says. "It's unbelievable."

CSU is just one victim of what has become a growing problem for trade in the United States—cargo crime. A report released this year by the FBI states that the theft of cargo has become so widespread that it "constitutes a serious threat to the flow of commerce" in the U.S.

And Ed Badolato, chairman of the National Cargo Security Council, a Washington, D.C.-based coalition of government and industry organizations, says: "We feel very confident that a conservative estimate for the net annual cost of cargo-related crimes for all modes [of transport] in the U.S. is \$10 billion."

Major ports with high volumes of high-value cargo are hot spots for such crime. Consumer electronics and fragrances are favorite targets. The thieves—who authorities say are increasingly sophisticated, with organized crime part of the picture—often strike distribution centers, storage yards, even individual trucks.

For example, a well-organized gang may learn which terminals will have goods they could steal and sell—and when. When the shipment is loaded on a truck, the thieves will waylay the truck in transit, taking the

cargo to a hide-out. The goods may wind up on the black market or even be re-exported to countries where consumer products are in great demand.

Efforts to combat cargo crime have been largely fruitless. In Southern California,

Pirates may lurk at the loading dock, but steps can be taken to stop them.

premiums—or remain undetected until it's too late for anything to be done about them.

Companies involved in trade can take measures to minimize the risk of cargo theft. John Tichenor, an underwriter with Cigna Insurance, suggests that firms instruct their customs brokers—who take care of the procedures needed to clear cargo through customs—to ensure that documents and computer records contain only generic details about cargo. Information about loading arrangements, for example, could wind up in the hands of cargo thieves.

Among the details that *should* be recorded on documents, Tichenor advises, are container seal numbers. These are attached to the door mechanisms of freight containers after loading is completed and the containers are secured. Shippers should know who applies the seal and who removes it for unloading, and whether these individuals are recording the seal numbers.

When a container arrives on a shipper's premises, a designated employee should inspect it immediately, with the company's order in hand, checking especially for signs that the seal or door mechanism has been forced or that the packaging inside has been tampered with. Some companies photograph containers before they are dispatched and send the prints ahead to recipients so the container can be checked against the photo on arrival.

Companies should also make sure that the trucking firm or other transporter it uses is reputable and security-conscious. Does the trucker check drivers' backgrounds? Is it adequately insured against losses? What security measures are enforced at the trucker's storage facilities? Are employees who have access to cargo areas screened? What documentary procedures are followed at entry and exit points, and does the company carry out regular security audits? What's the trucker's reputation among other shippers?

Sgt. Dwayne Shackelford of the Cargo CATS team suggests that companies include security conditions in contracts with transport vendors, prohibiting unauthorized stops by drivers, for instance.

Another countermeasure against cargo theft is to minimize delivery delays and to schedule unloadings so containers are not left outside overnight. Says Tichenor: "Cargo at rest is cargo at risk."



PHOTO: STEPHEN ZIGARNO/BLACK STAR

Computer-components importer Ron Collins of Miami finds the scale of cargo theft "unbelievable" sometimes.

however, area police forces, along with the Highway Patrol and the FBI, have formed the Cargo Criminal Apprehension Team—generally called Cargo CATS—to try to stem the tide. More than \$70 million in cargo was reported stolen to Cargo CATS in 1994. In south Florida, cargo-theft losses in 1994 reached an estimated \$100 million. But these figures understate the problem, authorities say. Many cargo crimes go unreported—by companies unwilling to risk bad publicity or higher insurance

Ken Cottrill is a free-lance writer in Yardley, Pa.

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50	\$ 1,165	\$ 1,430	\$ 1,699
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60	\$ 2,645	\$ 3,425	\$ 4,149
65	\$ 4,355	\$ 5,885	\$ 6,819
70	\$ 8,285	\$ 9,980	\$11,645

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Where's The Ceiling?

By Randy Myers

History teaches us that stock prices don't go up forever. But how high is up?

Stocks continued their rocket-like rise in the third quarter, sending the Standard & Poor's 500 Stock Index up 7.94 percent, assuming reinvestment of dividends.

That puts the index up 29.73 percent through the first nine months of this year. The last time the S&P posted a total return that high or higher was in the first nine months of 1987, when the figure was 35.87 percent. As most investors remember all too well, that performance was followed within weeks by a crash that sent the Dow Jones Industrial Average down more than 500 points in one day.

Is history about to repeat itself? Plenty of bears are convinced that it is, although not so drastically. Indeed, the market started the fourth quarter on a sour note, with prices slumping. Yet many analysts and money managers believe the underlying factors that propelled the market higher over the first nine months of the year—and through the first half of this decade, for that matter—remain in force.

Those factors—a growing U.S. economy, low inflation, and low interest rates—favor continued stock gains.

"A lot of people say, 'Well, it's been almost a five-year bull market, it's time to get out,' not using any particular brainpower or variety of facts, just figuring that it's always happened so it will happen again," says Jim Melcher, president of Balestra Capital,

Performance By Mutual Fund Category

With Dividends Reinvested Through Sept. 30

Type Of Fund	3rd Quarter	Year To Date	Five Years
(Figures Are Percentages)			
Capital-appreciation funds	9.69	28.01	133.88
Growth funds	8.58	27.69	124.66
Midsize-company funds	10.88	29.72	168.74
Small-company growth funds	11.81	29.29	182.01
Growth and income funds	7.12	25.17	110.80
S&P 500 Index objective funds	7.80	29.21	116.82
Equity income funds	7.24	23.03	103.18
General Stock Funds Average	8.91	27.20	128.84
Health/biotechnology funds	15.37	31.69	155.45
Natural-resources funds	2.98	13.17	32.01
Environmental funds	6.80	24.38	34.56
Science and technology funds	14.95	46.68	320.60
Specialty/miscellaneous funds	6.86	23.54	151.93
Utility funds	6.97	18.96	80.28
Financial-services funds	12.54	34.56	277.12
Real-estate funds	5.01	9.12	87.49
Gold-oriented funds	4.85	6.47	24.96
Global funds	5.89	14.39	81.00
Global small-company funds	8.59	15.77	104.22
International funds	4.93	7.44	67.76
International small-company funds	6.51	6.61	39.13
European region funds	4.06	16.00	52.21
Pacific excluding Japan funds	-0.30	2.22	105.38
Pacific region funds	3.08	0.70	68.25
Emerging-markets funds	1.39	-1.29	88.08
Japanese funds	8.72	-5.46	10.86
Latin American funds	5.31	-16.29	NA
Canadian funds	0.90	7.78	32.41
World Stock Funds Average	4.58	7.27	61.90
All Stock Funds Average	7.76	21.96	119.54
Flexible portfolio funds	5.40	20.34	87.78
Global flexible portfolio funds	4.62	13.80	85.34
Balanced funds	5.53	20.08	89.85
Balanced-target maturity funds	3.25	17.60	81.57
Convertible-securities funds	5.61	17.21	106.04
Income funds	4.71	17.07	78.45
World income [bond] funds	2.10	10.91	41.07
Fixed income [bond] funds	1.83	11.17	59.03
Average Of Taxable Stock And Bond Funds	5.55	18.02	97.22

SOURCE: UPPER ANALYTICAL SERVICES INC.

a money-management firm in New York City. "I think we're in [the growth phase of] a long-term economic cycle and that we're going to have a very extended economic expansion worldwide."

If Melcher is right, the most important question to ask of the stock market may not be why it should continue to rise but what could happen to make it fall.

The most immediate concern on Wall Street is corporate earnings. Profits at public companies grew at a rate above 20 percent during the first half of 1995, and for 10 consecutive quarters they have topped analysts' expectations. But analysts surveyed by Zacks Investment Research, in Chicago, now expect corporate earnings to be up only about 14 percent in the fourth quarter of 1995 and a like percent in 1996.

"Analysts tend to overestimate earnings when they are slowing, so the real question for the stock market is whether that 14 percent [projection] turns into 5 percent by the time a year and a half is up," says Ben Zacks, an executive vice president at Zacks Investment Research.

Another potential trouble spot is Washington. If Congress doesn't push through some kind of balanced-budget reform, investors could start worrying about "inflation arising from increasing deficits as far as the eye can see," and the financial markets could suffer, says John Cleland, chief investment strategist for the Security Benefit Group of Companies, a financial-services firm in Topeka, Kan., with \$5.3 billion under management.

SMALL BUSINESS FINANCIAL ADVISER

However, he adds, "I don't think we're going to have a major train wreck. I think we will reach a budget accord, framed in a way that the markets like."

If you agree with that forecast, your next task is to figure out which stocks you should be purchasing. Cleland is bullish on stocks of smaller companies—which on the whole lagged their blue-chip brethren for the past 21 months. He's also bullish on the technology sector.

"Technology continues to be an increasingly important component of the way the world works... and is still in its infancy in terms of the impact it will have globally for the rest of this century, and perhaps well into the next century," he says.

Of course, technology stocks have been the market's star performers so far this year. The average mutual fund specializing in science and technology issues rose 46.68 percent through the first nine months of 1995, according to Lipper Analytical Services, although these funds did relinquish their market leadership role to health and biotechnology funds in the third quarter, when the latter advanced 15.37 percent compared with 14.95 percent for the science and technology funds. (See the mutual-fund chart on Page 62.) By comparison, the average domestic stock mutual fund rose 8.91 percent in the third quarter.

Although Cleland's long-term view on technology stocks may be accurate, some market analysts are warning that technology stocks have simply risen too far too fast. In fact, the group came under selling pressure heading into the fourth quarter, as investors cautiously awaited third-quarter earnings reports.

"The earnings of the technology companies should actually come through pretty good," Zacks observed at that time. "But anybody who misses their [analysts'] estimates is going to be buried."

Melcher, for one, is steering clear of most technology stocks (he achieved his outsized gains through the first nine months of this year without them) and is focusing instead on stocks of capital-goods companies, energy and financial-services firms, and selected companies in the fast-growing Pacific Rim region (other than Japanese companies).

Contrary to conventional wisdom, Melcher believes there is sufficient global demand for capital goods, including construction equipment and engineering services, to continue driving the earnings of those companies forward. He figures that energy companies will do well for much the same reason—a global economic expansion. Among financial-services firms, he favors those playing a role in financing the growth of developing nations and

those catering to the financial needs of the aging baby-boomer generation.

Given that much of the enthusiasm for the stock market stems from forecasts for low inflation and low interest rates, it stands to reason that investors might be bullish about the bond market, too. While many market analysts do, in fact, expect long-term interest rates to trend lower over the year ahead, they warn that the potential gains in bonds aren't likely to be as great as those available in stocks.

The yield on the Treasury's bellwether 30-year bond actually ended the third quarter about where it started, at 6.5 percent, despite some fluctuations during the quarter. Even the most optimistic prognosticators aren't expecting long-

term rates to fall below 6 percent in the year ahead.

Of course, many investors buy bonds for their coupons—the interest payments they throw off—and not because they expect their bonds to post dramatic price increases. Even though interest rates didn't move much in the third quarter (bond prices rise when interest rates decline), the average domestic taxable bond fund tracked by Lipper Analytical did return 1.83 percent for the period.

That's not bad for conservative investors. But most investors today are buying into the optimistic scenario that Cleland and Melcher outline, and they're concluding that stocks hold the greater investment appeal right now.

Stock Performance In The Third Quarter

Industry Group	Percent Change In Value July 1 To Sept. 30	Industry Group	Percent Change In Value July 1 To Sept. 30
Credit	21.6	Cosmetics—personal	6.8
Shoes, leather	18.6	Retail—miscellaneous	6.6
Health	16.5	Precision instruments	6.4
Savings and loans	14.7	Real-estate investing	6.4
Business equipment	14.4	Business services	5.7
Banking	14.4	S&P Industrial Index	5.7
Communications	13.9	Airlines	5.3
Insurance	13.2	Utilities—electric	5.1
Railroads	12.6	Dow Jones Industrial Average	5.1
Drug manufacturers	12.3	Chemicals	5.1
NASDAQ Index	11.8	Recreation—luxury	5.0
Electronics	11.7	Food—packaged goods	4.3
Metals—nonferrous, coal	10.5	Multi-industry	4.2
Publishing	10.3	Utilities—gas, other	4.1
Food—meats, dairy	10.1	Building	4.1
Tobacco	10.1	Food production	3.8
Freight, shipping	10.1	Automotive	3.5
Food—confections	9.7	Recreation—movies, sports	3.4
Recreation—broadcasting	9.6	Metals fabrication	2.9
Textiles—apparel	9.6	Oil, natural-gas services	2.7
Business data processing	9.4	Distillers—brewers	2.0
Electrical equipment	9.3	Paper, packaging	1.7
Personal services	9.3	Metals—rare	0.9
AMEX Index	8.9	Rubber, plastic	0.8
Aerospace	8.8	Oil, refining, marketing	0.8
Machinery—light equipment	8.5	Hotels, motels, restaurants	0.7
Real estate	8.2	Housewares, furnishings	0.6
Investments	7.9	Oil, natural-gas production	0.5
Media General Stock Index	7.8	Textile manufacturing	0.0
Retail—department stores	7.6	Machinery—heavy	-2.1
NYSE Index	7.3	Retail—discount, drugs	-2.5
S&P 500 Index	7.3	Retail—apparel	-2.7
Building—heavy	7.2	Metals—iron, steel	-5.6
Retail—food stores	7.1		

SOURCE: MEDIA GENERAL FINANCIAL SERVICES



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Abstract

10

INVESTING

Low-Cost Index Funds Mirror Market Performance

If you have mutual funds in your 401(k), Keogh, SEP-IRA, or other pension plan, check out the funds' performance ratings for the year. Although most funds have made money because of the bull market, 70 percent have not performed as well as the popular Standard & Poor's 500 Index, which tracks the nation's top blue-chip companies. The S&P 500 had gained 27 percent this year.

If your mutual fund has not kept pace with this index, you may want to buy a fund that at least mimics it. A number of investment companies, such as Dreyfus, Fidelity, Schwab, and Vanguard, offer mutual funds composed of S&P 500 stocks.

"Broad-based index funds can be ideal for small-business owners who don't have the time or expertise to do a lot of their own investment research," says Russ Kinnel, mutual-fund analyst with Morningstar Inc., a Chicago-based producer of mutual-fund publications.

Because index funds own a broad range of stocks, they are "passively" managed and have lower costs than "actively" managed funds, which require a lot of research for picking this year's

winners. The more activity there is, the higher the management costs; thus, the lower costs of index funds boost profits for fund investors.

Five years ago, virtually no index funds were sold to small businesses, says Bill McNabb, senior vice president for retirement plans with the Vanguard Group of mutual funds. But now, he says, "the word is getting out among small businesses."

Albert J. Fredman, a finance professor at California State University-Fullerton, says, "When you invest a certain amount of pension money every month, or every quarter,

in an index fund, the compounding effect will produce amazing results over the years."

While the S&P 500 index funds are by far the most popular with small businesses, there are other varieties of index funds to consider. For example, total-market funds shop for U.S. stocks of companies of all sizes, not just blue-chip companies.

"A total-market index fund can be a real 'no-brainer' moneymaker over the years," says Sheldon Jacobs, publisher of *The Handbook For No-Load Fund Investors*, an annual that analyzes and rates 2,000 funds, "because it covers the S&P 500 plus 4,500 other stocks, including small- and medium-cap [capitalization] companies."

Jacobs and other mutual-fund analysts say the smaller companies in the total-market index do better in some years than the S&P 500. Having them both gives you greater diversification.

In this field, Jacobs likes the Vanguard Total Stock Market Portfolio (1-800-662-7447) because it has the lowest administrative costs and is readily available for small-business pension plans. A number of other mutual-fund companies offer index funds.

"While the stock-index funds have had a great bull-market year," says Fredman, co-author of *How Mutual Funds Work* (New York Institute of Finance, \$15.95), "in the occasional bear-market years to come, they won't do as well. This is why they are for long-term investing."

—Peter Weaver

The author is a personal-finance writer in Bethesda, Md.



TAXES

Give Today, Or Pay Tomorrow

As the end of the year approaches, individuals should not overlook one of the simplest yet most powerful estate-planning techniques available—annual gift giving.

Every person has a lifetime exemption of \$600,000 from estate taxes. Whether you distribute the \$600,000 as gifts or leave it in your estate to be distributed according to the terms of your will, there will be no gift or estate taxes levied on that amount. But what if your assets are valued at more than \$600,000?

With life insurance, pension plans, business assets, and a home, it is not unusual for an individual to have an estate valued at far more than \$600,000. In such a case, annual gifting can be quite advantageous in cutting estate-tax obligations.

An individual can give away as much as \$10,000 per person each year without

incurring any taxes. A married couple together can give up to \$20,000 tax-free each year per recipient.

Consider the example of a couple who have \$2 million in assets and have made no gifts to anyone. One spouse dies, and the survivor inherits the estate tax-free. Upon the death of the surviving spouse, \$1.2 million of the estate (\$600,000 for each spouse) is exempt from federal estate taxes, and the remaining \$800,000 is subject to tax, which would be approximately \$250,000.

But if the couple had three children and nine grandchildren, say, they could have made annual gifts of \$240,000 (\$20,000 to each of 12 recipients). In four years, they would have given away \$960,000, leaving just over \$1 million, which would be covered by their \$1.2 million estate-tax exemption. The tax savings would be about \$250,000.

Note that any individual can also pay tuition and medical expenses of any recipient in addition to the \$10,000 annual gift

exclusion without incurring any gift tax, so long as these amounts are paid directly to the college or medical provider.

It's important to remember that if you don't use the annual gift exclusion by year's end, you lose it for the current tax year. Although you could make the gifts next year, you would be a year behind in your gifting. So if you are considering starting an annual gifting program, or if you are already making annual gifts, be certain those gifts are made no later than Dec. 31.

—Albert B. Ellentuck

The author is counsel to the Washington, D.C., law firm of King & Nordlinger.



SMALL BUSINESS FINANCIAL ADVISER

FOREIGN TRAVEL

Claiming Refunds For Value-Added Taxes

Companies that do business in Western Europe may be eligible for sizable refunds of value-added taxes, which are levied on a variety of goods and services there. It takes patience and skill, however, to claim a refund.

While tourists can reclaim the VAT only on certain goods, businesses may be eligible for refunds on their expenses for hotel rooms, car rentals, gasoline purchases, meals, hiring of translators or other professional services, training courses, and trade-show expenses. However, because the tax, which averages 15 percent, is included in the price of these services, many companies are unaware that they're paying the tax—and certainly unaware that they may claim a refund.

Others may know they can claim a refund but decide against it because it involves extensive paperwork.

To qualify for a refund, companies must submit original receipts showing the name of the company (not just the individual traveler) and inscribed with the supplier's VAT registration number. A form from the tax authority in each country must be filled out annually in the language of that country, along with Internal Revenue Service Form 6166, which certifies that the company has filed a U.S. tax return.

The tax laws themselves are complicated. VATs not only vary from country to country but also may differ from service to service or product to product within a country. In one country, the VAT may be 25 percent of the cost of meals and gasoline but only 12 percent for hotel rooms.

In addition, not all VATs may be eligible for refunds. Meals are eligible in Sweden, Germany, and the United Kingdom but not in Belgium, Finland, or the Netherlands. Nontravel expenses, such as telecommunications and advertising, may qualify for refunds in some countries but not in others.

And the amount refunded by some countries may be slightly less than the full amount of the VAT paid.

Small companies may feel overwhelmed by the task of researching the VAT and filling out the paperwork. Many firms employ a VAT-reclaim service, which, for a commission of 20 to 40 percent of the tax refunded for small to

midsize companies, will do all the paperwork for them.

Among the VAT-reclaim firms that deal with small as well as large companies are EuroVAT Refund (1-800-828-0609, Los Angeles), Meridian VAT Reclaim (212-554-6700, offices throughout the nation), Travel Tax Management International (612-338-6973, Minneapolis), and Universal VAT Services (404-396-5690, Atlanta).

Applying for VAT refunds can be worth the cost if a few of a company's employees travel to Europe at least three to five times a year or if they attend European trade shows, where there can be substantial expenses above and beyond hotels and meals.

Employees should obtain original receipts; a car-rental contract or credit-card bill for a restaurant meal won't do.

To simplify the filing process, one employee should be responsible for collecting and copying the original receipts and

turning the originals over to the VAT-reclaim service.

It takes at least four months to receive a refund. For the United Kingdom, it takes about six months; it's a year for Germany and the Netherlands and up to four years for Italy and France.

—Lynn Woods



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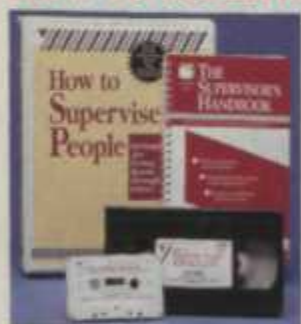
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By Michael Barrier

Cruise Control

If you want to have potential customers remember not just your company's name but also its phone number, you could do worse than make them the same. That's the tack taken by a 1½-year-old Fort Lauderdale, Fla., company called 1-800-TAKE-OFF. It markets cruises, booking passengers for more than two dozen cruise lines (Carnival, Princess, et al.) and offering substantial discounts off the published rates.

Besides its name, 1-800-TAKE-OFF came up with another distinctive marketing ploy—one that turns to advantage what its president, Craig Roberts, says is widespread public concern about whether such cruise marketers are trustworthy.

"When we got into the business," he says, "we saw right away that there was a credibility problem. We watched one of the biggies in south Florida go out of business" and leave customers with a \$4.5 million loss, representing tickets they had paid for but never received.

Roberts' partner Verdi Sciscent came up with the idea for a "customer payment-protection plan," backed by more than \$1 million in escrow at Barnett Banks Trust Co., headquartered in Jacksonville.

"When most companies sell a cruise," Roberts says, "they

take your full cruise fare, and they spend it. We don't touch a penny of a client's money until they sail. All the time that money is in escrow; or, if they pay by credit card, the cruise line takes the credit-card [number] and holds the money.

"The temptation to use your clients' money before they actually sail is great," he continues. "You have advertising, you have overhead, and all that. But we decided early on, let's grow the company slower, and let's grow it through credibility and integrity."

Despite Roberts' announced preference for slow growth, 1-800-TAKE-OFF is in fact growing rapidly, he says. He

credits that growth to word of mouth: "Forty-nine percent of our business already is repeaters and referral business."

As for the future of the company, Roberts says, "Eventually, we want to be able to offer 'retail travel' to anybody who wants to go anywhere."

The partners' hope for expansion is one reason that the company is called 1-800-TAKE-OFF—a name that can embrace all kinds of travel when the company is ready to offer it.

Even now, Roberts says, the company gets a lot of calls from people who want to buy airline tickets.

The company has already broadened Roberts' own travel horizons in one significant respect: He finally took his first cruise last Christmas.



'Two Mickeys For A Pinocchio'

Jeff Lotman makes his living by running the international operations of a low-profile Philadelphia-area company called Keystone Foods. You've probably never heard of Keystone, but if you've ever eaten at a McDonald's, you've almost certainly consumed one or more of its products.

Keystone is one of the largest suppliers of beef, chicken, and fish to that chain. It was a struggling little family company until almost 30 years ago, when Herb Lotman, Jeff's father, and some associates proved to McDonald's that they could supply frozen hamburger patties that were as good as fresh. Now its annual sales top \$1 billion.

As much as Jeff Lotman enjoys his work, his real passion lies elsewhere, with the animated cartoons made by Walt Disney, Warner Bros., and other studios in the 1930s and 1940s. For 15 years, since he was in his teens, he has been collecting the artwork used to make those films, and now he has about 1,500 pieces of it.

A nice little hobby, sure—but the dollar signs surrounding the collecting of animation art have transformed it into something more imposing, with a few pieces going at auction (at such presti-

gious houses as Sotheby's and Christie's) for well over \$100,000 each, and many others selling for thousands of dollars apiece.

Lotman, as one of the premier collectors, has now assembled a record of just how pricey his hobby has gotten. It's a book called *Animation Art: The Early Years 1911-1953* (Schiffer Publishing), and it reproduces 6,000 pieces of animation art that have sold at auction over the past 10 years, with the sale price of each.

At \$125 a copy, the book is not the kind of thing you're going to pick up at an airport newsstand.

You're likeliest to find it at one of the growing number of galleries that sell animation art—and, of course, you're likeliest to buy it if you're a collector already, or want to become one (at the front of the book, Lotman lays out all the basics of locating, buying, and valuing animation art). The response from collectors "has been really positive," Lotman says.

Given the amount of money involved, has Lotman ever considered converting his hobby into a full-fledged business, by becoming a dealer himself? "I've thought about it," he says. "But I think I'm in the best position, because I have a really great job, and I love what I'm doing businesswise; but the days I want to play, I can play. I love horse-trading—you know, I'll trade you two Mickeys for a Pinocchio, or something like that."



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Where I Stand

On Federal Services

Republican congressional leaders have made shrinking the federal government a major priority, with special emphasis on eliminating agencies, reducing bureaucracy, and ending program duplication. At the same time, the Clinton administration continues its "reinventing government" drive. These questions seek your views on your experiences with the federal government.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers below and fax this page to (202) 463-5636.

**1**

Which of these federal government services does your business use most frequently?

1. Loans or loan guarantees
2. Grants
3. Technical assistance
4. General information and guidance
5. Don't use federal agencies

4

What is your major complaint about federal agencies?

1. Take too long to make decisions
2. Require too much information
3. Too much overlapping jurisdiction
4. Unsatisfactory response to concerns
5. Other
6. No complaints

2

In which area do you find the federal government most helpful to your business?

1. Environmental protection
2. Export/import matters
3. Labor/personnel/employee benefits
4. Financial matters
5. Workplace health and safety
6. None of the above

5

What category of federal requirements takes up most of your time?

1. Preparing taxes
2. Filling out other paperwork
3. Getting guidance on how to comply with rules
4. Dealing with on-site inspectors
5. Other

3

In which area do you find the federal government most difficult to deal with?

1. Environmental protection
2. Export/import matters
3. Labor/personnel/employee benefits
4. Financial matters
5. Workplace health and safety
6. None of the above

6

What reform would be most helpful for your dealings with federal agencies?

1. Cut layers of bureaucracy
2. Shorten turnaround time on decisions
3. Move most agency operations out of Washington
4. Adopt multiple-year budgeting to make federal funding more predictable
5. Other

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POLL RESULTS

Readers' Views On Immigration

By large margins, respondents to a *Nation's Business* Where I Stand poll in September support cracking down on illegal immigration and cutting back on legal immigration into the U.S. Here are the complete results of the survey:

IMMIGRATION

What do you view as the greatest problem with immigration policy today?

Failure to keep out illegal aliens	70%
Too many legal immigrants allowed into the U.S.	17
Too many restrictions on employers hiring legal aliens on a temporary basis	3
Inability to determine an alien's legal or illegal status	7
Don't feel there is any major problem	3

What should be the top priority for allowing those who are not U.S. citizens into this country?

Keeping families together	26%
Bringing in specific work skills needed by business	60
Increasing the diversity of the U.S. population	2
Aiding refugees and those seeking asylum	12

What is the best way to ensure that employers don't hire illegal aliens?

Current policy: Employers verify legal status of applicant

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What is the best way to ensure that employers don't hire illegal aliens?

Current policy: Employers verify legal status of applicant or face fines	28%
A national identification system that employers could use to verify applicant's legal status by telephone	28
A work-authorization card that can be verified like a credit card	38
Random spot checks of workplaces by federal authorities	6

What do you think is the best way to deal with illegal immigration across the U.S.-Mexican border?

More resources for the U.S. Border Patrol	34%
Tougher penalties for persons who hire illegal aliens	22
Creation of well-paying jobs in Mexico	21
Stiffer punishment for those who are caught	23

The United States currently allows about 1 million legal immigrants into the country each year. How do you feel about this amount?

Too low; more legal immigration should be allowed	3%
About right	18
Too high; there should be fewer legal immigrants	68
Limits should be increased for business-sponsored immigrants	11

Current immigration laws limit the number of visas for foreign nationals with specific skills to work in the U.S. for limited periods. What changes should be made to the limitation?

Allow more visas for noncitizens to work in the U.S.	8%
Increase the duration that business-sponsored aliens can work in the U.S.	19
Allow fewer visas for noncitizens	48
No changes are needed	25

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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Laura M. Litvan

LICENSING

School Ties

I have what I believe is a unique idea for a licensed product linked with collegiate sports teams, and I need to know the proper procedure for obtaining rights to use university emblems.

Do I contact the National Collegiate Athletic Association or the individual schools?

R.G., Trinity, N.C.

Often, you need to negotiate only with colleges and universities whose emblems your product would bear. But the National Collegiate Athletic Association owns the rights to its own insignia and some related phrases, including "Final Four" and "March Madness," both of which relate to the annual national collegiate basketball championship. To use NCAA-owned trademarks, contact the NCAA at 6201 College Blvd., Overland Park,

Kan. 66211; (913) 339-1906.

About 145 schools have contracted out their licensing programs to the Collegiate Licensing Co., in Atlanta. They include the University of Michigan, Florida State University, Georgetown University, and the University of North Carolina. About 2,000 licensees have collegiate arrangements through the company. Contact Collegiate Licensing at (404) 956-0520.

Other schools, including Notre Dame, UCLA, Texas A&M, and Indiana University, handle their own licensing. A quick way to get the proper contact names and numbers for these schools is to buy the \$50 membership directory of the Association of Collegiate Licensing Administrators in Hartford, Conn.; (203) 586-7524.

If you negotiate a licensing deal di-



ILLUSTRATIONS: MARTHA WUHAN

rectly with a school or through a third party such as Collegiate Licensing, expect to pay an advance on licensing royalties. At Collegiate Licensing, this can range up to \$1,000, says Dianne Shoemaker, a spokeswoman for the company. Then, you would typically pay royalties of 6 to 8.5 percent of a product's wholesale revenues to each university. (For more information on licensing, see the August cover story, "Hot Names, Top Dollars.")

Generally, colleges want relationships with established companies that have solid plans for marketing and distributing a particular product, says Carolyn Waldman, Indiana University's licensing manager. "We're looking for someone who has really thought this through," Waldman says.

While most collegiate licensing is linked with apparel, in the past year other types of goods have taken off, Waldman says. In fact, Indiana University recently licensed a company to make pasta in the shape of the IU insignia. She adds: "People are beginning to branch out."

GETTING STARTED

Hand Work

I am interested in starting a gallery store that sells paintings, pottery, handmade jewelry, etc.

Where can I get information about this market?

E.G., Oswego, N.Y.

Crafting as a Business, by Wendy Rosen (The Rosen Group Inc., \$22.95), is a craft sourcebook for both retailers and artists. To order, call 1-800-274-0630. In addition, Rosen publishes *NICHE* magazine, which covers the crafts market. A subscription is \$17.97 a year; call 1-800-NICHE-14 (1-800-642-4314). For more information, contact the American Craft Council, in New York City, at (212) 274-0630.

Quick Cash

I am interested in opening a pawn shop. Is there an association that could provide me with some information?

M.H., Corsicana, Texas

Pawn-shop owners in your state are closely regulated by the Texas Office of

Consumer Credit Commissioner, so that's a good place to begin.

For \$10, the agency will send you a permit application and a copy of Texas' pawn-shop regulations. Send a check to the agency at 2601 North Lamar, Austin, Texas 78705.

For additional information, call the Texas Pawn Broker Association at (512) 467-6716.

There's The Rub

My daughter, a recent college graduate, is thinking about opening a massage-therapy business. Where can she get information about this market?

R.M., New York City

For basic information, call the American Massage Therapy Association, in Evanston, Ill.; (708) 864-0123. Also, massage therapists in New York and many other states must be licensed to operate such a business.

Call the New York Board of Massage at (518) 474-3817 for a free handbook explaining the steps your daughter would need to take to earn her license.

—M. Courtauld McBryde

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. You can also transmit questions to our CompuServe address: 76436,1735. Be sure to include your address and telephone number.

Because of the high volume of queries, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.

EMPLOYEE BENEFITS

A Stake In Success

I recently took early retirement from a family-owned business. The company had an employee stock ownership plan (ESOP), but we employee participants didn't feel like owners because we rarely had input in management decisions.

Now, I've started my own business, and I hope to offer an ESOP to workers someday. How do I ensure the ESOP makes them feel that they have a stake in the firm's success?

Also, what actual decision-making rights do employees have under ESOPs? *J.S., Erie, Pa.*

When a company creates an ESOP as an employee benefit, workers become part owners, but that doesn't necessarily mean they can weigh in on day-to-day decisions. Under federal law, an ESOP in a privately held company entitles workers to such input in only a handful of situations, such as a liquidation or merger, says Michael Keeling, president of the ESOP Association, a Washington, D.C., trade group for companies that offer such plans.

Establishing an ESOP almost always causes changes at a company, Keeling says. Because an ESOP is a type of defined-contribution pension plan that

invests its assets mostly in the sponsoring company's stock, workers get periodic statements detailing the value of the shares in their accounts. These statements often lead to what Keeling calls



"water-cooler, car-pooler, church-circle rumors" about why the company either is or isn't doing well.

Whether such talk is redirected into efforts to improve company performance, he says, depends on managers' willingness to share power with workers.

Keeling says an ESOP is compatible with what is known as "open-book man-

agement," under which employees are allowed to review their company's financial statements and are urged to help improve the results. This approach can help a company go beyond the simple stock-ownership aspect of an ESOP and create what Keeling calls a true "culture of ownership."

In *Open-Book Management: The Coming Business Revolution*, (HarperCollins, \$23), the author, John Case, explains the concept and addresses briefly how ESOPs can fit into the bigger management picture.

Probably the biggest mistake any ESOP-sponsoring company can make, Keeling says, is to give workers stock without offering any explanation of why shares are valued as they are.

Keeling suggests that if you do establish an ESOP, you should at least be prepared to address workers' questions about the company's performance.

To learn more about ESOPs, contact the ESOP Association at (202) 293-2971, or the National Center for Employee Ownership, another trade group for companies with ESOPs, in Oakland, Calif., at (510) 272-9461.

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The Small Business Resource Guide

What You Need To Know About Starting, Running, and Growing Your Business

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From The Editors
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Editorial

How Energy Policy And The Budget Intertwine

Consider a situation in which the central government holds direct ownership of properties containing most of the resources critical to economic growth. It also controls access to vast additional areas holding still more of those resources.

This central government has adopted policies that in effect block the country's citizens from using such materials even as their availability from other sources declines.

The nation fitting this description is the United States. The federal government owns one-third of the lands that hold most of the remaining reserves of oil, natural gas, timber, low-sulfur coal, gold, silver, other minerals, and timber. In addition, our government controls the outer continental shelf (OCS), the undersea area extending from three to 100 miles off the East, Gulf, and West coasts.

Federal lands, notably the Arctic National Wildlife Refuge (ANWR), and areas under federal jurisdiction, notably the OCS, contain vast reserves of oil and natural gas. But national policy has been to keep those resources locked up, and the nation's dependence on imports continues to grow as domestic production declines.

The United States now relies on imports for more than half of the crude oil it consumes, and much of that comes from countries with long records of political instability. Within 20 years, imports will represent 60 percent of domestic consumption. Given such dependence, even a slight drop in the supply from overseas could inflict severe economic harm.

The consequences of excessive reliance on imports were starkly demonstrated in the 1970s, when foreign manipulation of supplies and prices caused economic disruptions that continued into the next decade.

There are, however, grounds for optimism that the nation will not be held hostage to political events in the oil-exporting nations. Congress is considering legislation to permit exploration for oil and natural gas in the Arctic National Wildlife Refuge and development of sites deemed productive. With a membership far more attuned to economic realities than its predecessors, this Congress might be the one that adopts the rational energy policies the country has long needed.

Environmentalists are predictably sounding alarms that ANWR development would destroy vast areas of pristine natural beauty. The facts show otherwise. The refuge consists

of 19 million acres, and the development "footprint"—the visible results of development—would affect 15,000 acres, one-twelfth of 1 percent.

Oil exploration and production activity would be limited to the coastal plain area, which is by no means a pristine sanctuary but contains, among other things, abandoned military bases. Even then, the footprint would affect only 1 percent of the designated coastal area.

Advances in oil-production technology, such as horizontal drilling, would further minimize the environmental impact. Horizontal drilling, with pipes stemming underground from a single pad, sharply reduces the number of traditional oil rigs needed to produce from a wide area.

Given the economic necessity of developing the nation's oil reserves and the negligible environmental consequences, the proposal to open a relatively tiny portion of the ANWR should command broad support in Congress—broad enough to override the veto that has been threat-

ened by President Clinton because of pressure from environmentalists.

There is an additional benefit from opening that small portion of the ANWR: The federal government would realize \$1.3 billion in oil royalties over seven years, money that would help achieve the goal of a balanced federal budget.

The revenue potential of resource development on other government-owned and/or government-controlled lands is one that should be taken into consideration as Congress seeks ways to achieve its goal of a balanced budget by 2002. Such land use not only could help meet crucial resource needs but also could help achieve a fiscal policy that would provide a tremendous boost to the economy generally.

Although the federal government holds the legal title to one-third of U.S. lands and the key to offshore resources, the officials who make up that government have failed in the past to recognize that they were actually trustees and that ultimate ownership and control was held by the American people.

Those people want wise use of their properties. Such use includes preservation where warranted and economic utilization where that is warranted.

A Congress under new management appears to be aware of that distinction. The president should also grasp it.



Our position, word by word.

Youth



At Philip Morris, we believe that adults have the right to choose whether to smoke or not.

Minors, on the other hand, should not smoke. Period.

We also believe that preventing minors from having access to cigarettes is the key to addressing this issue.

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Action Against Access is a series of tough initiatives that have as their ultimate goal making all cigarette sales face-to-face transactions so age can be verified in person.

We are confident that, when fully implemented, this program will make a difference.

Everyone has a role to play in preventing youth access: educators, lawmakers, parents, communities. And, of course, the tobacco industry.

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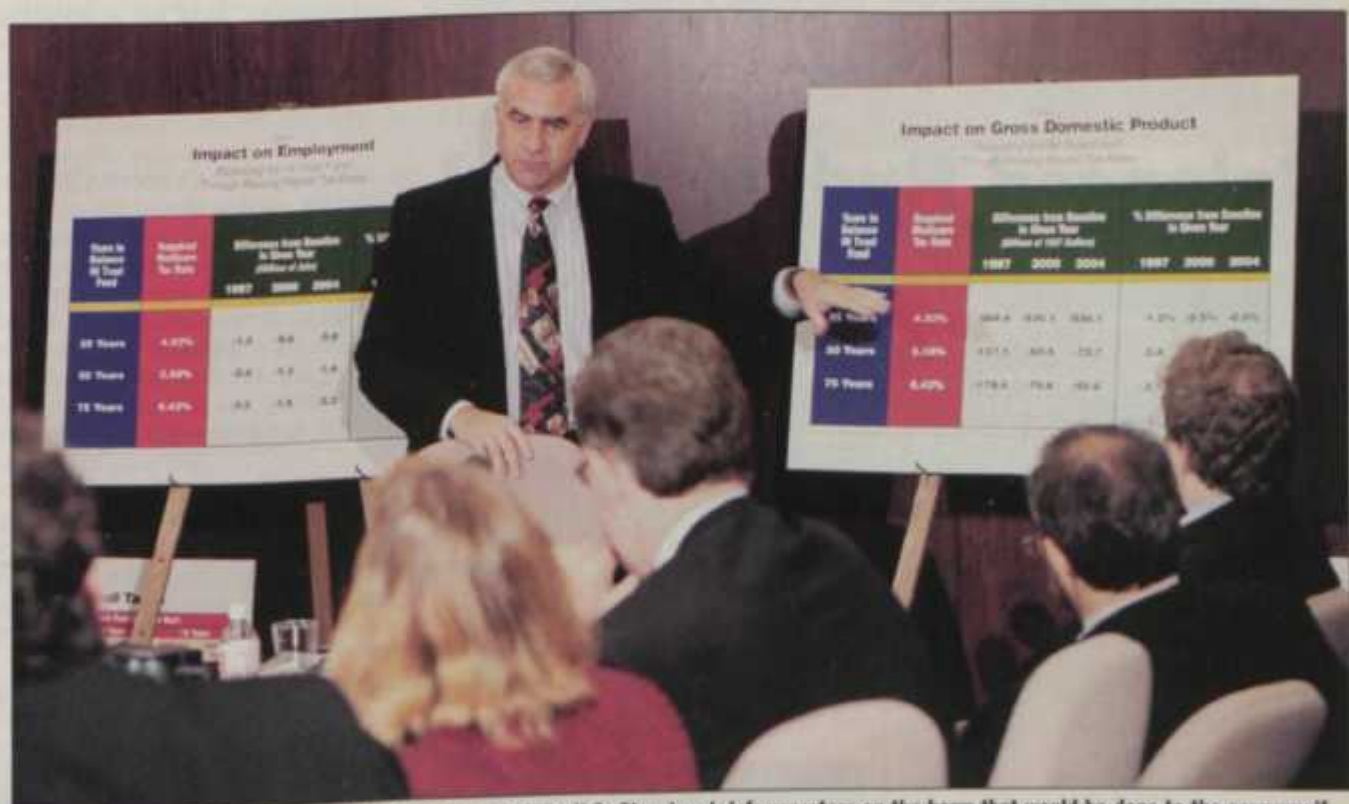
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SUPPLEMENT TO **Nation's Business** NOVEMBER 1995

U.S. Chamber of Commerce

Chamber: Budget Focus Must Remain Intense



Martin A. Regalia, vice president and chief economist of the U.S. Chamber, briefs reporters on the harm that would be done to the economy if Congress were to raise payroll taxes to keep the Medicare system solvent. Addressing Medicare's fiscal woes is critical to balancing the budget.

As a potential fiscal showdown between the Republican-controlled Congress and the Clinton administration draws near, the U.S. Chamber of Commerce is urging the parties to put politics aside and approve legislation that

would balance the federal budget by 2002. The Chamber is backing a series of fiscal measures crafted by congressional Republicans to achieve that balance. Those measures would curb government

Continued On Page 2A

■ International

Mexican President Visits Chamber

Mexican President Ernesto Zedillo assured U.S. business leaders that Mexico's financial problems are being addressed. He also invited U.S. companies to do business in his country.

Zedillo made his remarks to business leaders gathered at the U.S. Chamber of Commerce on Oct. 11 for a meeting of the International Forum. The group meets regularly to hear addresses by international leaders and others who influence world-trade policies.

"Economic recovery is in sight," Zedillo said. "Mexico is controlling inflation, short-term debt has been reduced, and we have moved our trade account



from a huge deficit into a significant surplus. Mexico is a good place to invest, a good place to do business." The leader

Dennis W. Sheehan, right, the 1995-96 U.S. Chamber chairman, introduces Mexican President Ernesto Zedillo to business leaders at an International Forum meeting at the Chamber.

said his government is deregulating "across a broad front."

The Mexican president also blasted critics of the North American Free Trade Agreement, pointing out that the dollar value of Mexico's purchases of U.S. products is nearly four times higher than it was a decade ago, before the trade pact signed by Mexico, the U.S., and Canada. "NAFTA is fulfilling its promise," he asserted.

■ Legislation

Balanced Budget Urged

Continued From Page 1A
spending by \$960 billion and cut taxes by \$245 billion over seven years.

The spending and tax reductions are included in measures that are moving through Congress: 13 appropriations bills for fiscal 1996, which began Oct. 1, and a so-called budget reconciliation bill.

The appropriations bills would provide funding for specific federal departments and agencies and their programs for fiscal 1996. The reconciliation legislation would amend provisions in existing laws to make them conform to the spending and tax levels established by the budget resolution for fiscal 1996-2002.

A major skirmish over balancing the budget is expected in mid-November. That's when two fiscal deadlines occur. The first comes on Nov. 14 when a "continuing resolution" expires. The CR, as it is known, is a temporary spending bill that has kept the government running since the new fiscal year began.

By that date, Congress presumably will have completed work on the 13 appropriations bills. President Clinton, however, has threatened to veto many of them. As of mid-October, he had nixed one and signed one. He has also threatened to veto the budget reconciliation measure because it, like some of the appropriations bills, would slow spending in programs he supports.

The second deadline, Nov. 15, is the date on which interest payments are likely to push the U.S. Treasury above its current borrowing limit. The federal debt is already \$4.9 trillion. Republicans may resist increasing the debt limit until the balanced-budget measures are enacted. Clinton wants GOP lawmakers to raise the borrowing ceiling regardless of the status of the budget legislation, and he has argued that failure to do so would lead to a financial crisis.

"That's not true," says Martin A. Regalia, vice president and chief econo-

mist for the U.S. Chamber. "Not raising the debt ceiling would mean that the government could spend only what it takes in." Regalia says that a bigger fiscal crisis would occur if Congress and the White House fail to agree on a balanced-budget package. "Delivering on a strong and sensible package that balances the budget and cuts taxes is of far greater consequence to the American people than bumping our heads on the debt ceiling," he says.

Republicans are considering merging the reconciliation measure with legislation to raise the debt ceiling. They know that if the president were to veto such a measure, he would risk shutting down all but essential government services.

■ Taxes

Jack Kemp, right, chairman of the National Commission on Economic Growth and Tax Reform, discusses alternative tax systems with business leaders at a Policy Insiders forum at the Chamber. At left is U.S. Chamber President Richard L. Leshner.



■ Victory

House Passes Team Measure

In a major victory for business—and an equally large defeat for organized labor—the House has approved legislation backed by the U.S. Chamber of Commerce that would allow companies to form employee work teams.

On Sept. 27, representatives voted 221-202 to amend the 1935 National Labor Relations Act to permit firms to establish self-directed employee teams. These teams could be encouraged to address workplace issues of importance to labor and management, including health, safety, wages, and benefits.

Currently, the labor law says it is an unfair labor practice for an employer to interfere with or dominate the formation or administration of a labor organization. The law broadly defines "labor organization" as any organization in which employees participate and that exists for dealing with employers on grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work. Conditions of work also has been broadly defined to include such topics as workplace safety and health, production quotas, work rules, and promotions.

A 1992 decision by the National Labor Relations Board reinforced and somewhat broadened the 1935 law, which was written at a time when it was not uncommon for employers to set up sham unions as a way of discouraging legitimate unions from organizing workers. This practice virtually ceased after 1935, however, and is rare today.

The bill passed by the House—known as the TEAM Act and sponsored by Rep. Steve Gunderson, R-Wis.—would allow employee work teams in nonunion firms as long as employers don't seek to negotiate or enter into collective-bargaining agreements with workers.

A companion Senate bill, S. 295, is pending in the Labor and Human Resources Committee. The legislation is sponsored by Sen. Nancy Kassebaum, R-Kan., who chairs the labor committee.

Organized labor has made defeat of the TEAM measures a top priority, and the Clinton administration has threatened to veto the legislation.

Call your senators immediately and urge them to support S. 295, the Senate TEAM Act legislation. Dial the Capitol switchboard at (202) 224-3121.

■ Electronic Trading

At a late-September press conference in New York, U.S. Chamber President Richard L. Leshner, left, Mady Jalinous, center, and Peter Sandiford, both of Global Business Alliance, announce the availability of IBEX, a personal-computer-based electronic system to help companies locate, qualify, and negotiate domestic and international trade and investment opportunities. Global Business Alliance and the Chamber developed IBEX, which stands for International Business Exchange, and launched the system in conjunction with several prominent information-systems firms. In the lower photo, press conference attendees watch an IBEX demonstration. For information about the system, call 1-800-537-IBEX (1-800-537-4239), or, in Washington, D.C., call (202) 463-5665.



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Press

Chamber Draws Wide Range Of

The U.S. Chamber of Commerce attracted widespread media attention recently on a broad range of matters critical to business.

The coverage focused on such diverse matters as grass-roots activism among Chamber members; important court victories attained by the National Chamber Litigation Center, the organization's legal affiliate; the launch of IBEX, the International Business Exchange, a new computer trading system; and recent events hosted by the Chamber on Medicare and income-tax reform.

Here is a sampling of recent media coverage of the Chamber and its affiliates.

ROLL CALL

The 104th Lobbyist 'In Crowd': a New Pecking Order in Special-Interest Washington

By Alice A. Love

The best that many right-leaning special interest groups could hope for in past Congresses was a sympathetic smile and shrug from the Republican ranking members and minority leaders who dwelled with them in political exile....

What follows is a listing — based on informal polling of Washington lobbyists, Members of Congress, and Hill staffers — of the new pecking order in special-interest Washington: the ten groups that have gained the most in the 104th Congress....

U.S. Chamber of Commerce

Major Issues: Unfunded mandates; regulatory reform; capital gains, estate, and gift tax reform; welfare reform; legal reform.

Top Lobbyists: Bruce Josten, senior vice president, membership policy group; Lonnie Taylor, vice president, Congressional affairs, and former chief of staff to ex-Rep. Jack Bruce (R-Mo) and President Bush's General Services Administration liaison to Congress.

Key Member Contacts: House and Senate GOP leadership; Sen. Paul Coverdell (R-Ga.); Kasich; Rep. Bill Paxton (R-NY).

PAC Giving: The Chamber was barred from expenditures in the 1994 election cycle by a Federal Election Commission deadlock on the interpretation of the FEC definition of a membership organization. A lawsuit is pending.

network that can reach 42,000 business owners nationally, and a monthly magazine with

The Chamber of Commerce is wired to its grassroots by a sophisticated satellite television network.

860,000 paying subscribers. The chamber road-tested these grassroots vehicles during the health care reform battle in 1994.

The Chamber proved it could mobilize this grassroots power successfully early on in the 104th Congress when it was able to win language added to the unfunded mandate bill that protects businesses from

Gingrich, Clinton step up war of words on Medicare

By Michael Tackett
WASHINGTON BUREAU

WASHINGTON—Medicare has become a battle of the Great Per

On one side Friday was House Speaker Newt Gingrich, trying to persuade the nation that Republicans must dramatically change Medicare to save it.

On the other was President Clinton, trying to persuade Americans that Republicans were getting Medicare to pay for tax cuts for the rich.

As is increasingly the case in major policy debates, the persuaders are telling the airwaves to make their case.

Gingrich, whose skilled use of television marked his ascent to the House leadership, offered the broad themes of the Republican plan with a very important prop at his side.

In an opulent ballroom at the U.S. Chamber of Commerce Building, Gingrich sat alongside Illinois' Ross Perot at his "meeting" between a



House Speaker Newt Gingrich presents the Republican case for its Medicare proposal at a U.S. Chamber of Commerce assembly attended by Ross Perot (right) in Washington Friday.

trying first to win the battle for ownership of some key words. They will say more only if it

Los Angeles Times

U.S. Firms Eager to Balance Budget

Lobbying: The Chamber of Commerce, other business groups have marshaled forces to persuade Congress to do what any company or industry must do—live within its means.

HERT A. ROSENBLATT
STAFF WRITER

WASHINGTON—Lee Janssen, who sells Chryslers, Plymouths and Dodges in rural McCook, Neb., says he talks to anyone who will listen about the need to balance the budget—even if it means cutting the farm price that help his customers.

Grauer, a florist in West Seneca, N.Y., writes letters to Congress and worries about his 8-year-old son. "What kind of world does he have in America when we're in debt so big?" Grauer wants to know.

Grauer and Grauer are two of the eager foot soldiers in an army of 16,000 local activists for the U.S. Chamber of Commerce, men and women who have enlisted in the war for a balanced federal budget. The national Chamber, its state and local affiliates—along with hundreds of other business groups, trade associations and civic organizations—are enrolled in the hard-charging Coalition for a Balanced Budget.

For the nation's business community, the biggest

UPI

Chicago Tribune



■ GAIN

Activists Crucial To Budget Battle

The battle over balancing the federal budget will be hard-fought in Washington in the coming weeks, and U.S. Chamber of Commerce staff members will wade into the fray. But it's the business federation's activists who will be the most important foot soldiers in the war to rein in government spending.

The Chamber will be counting on its 215,000 members, including the 40,000 legislatively active members of its Grassroots Action Information Network (GAIN), to persuade lawmakers to cut spending and balance the budget by 2002. This fiscal plan is being advocated by House and Senate Republicans, but the Clinton administration and many Democratic lawmakers oppose the proposal intensely.

Tom Kerley, president of Kerley Signs Inc., of Landover, Md., is one of the small-business owners to whom the Chamber will turn to spread the word about the importance of balancing the budget.

"With everybody I talk to, balancing the budget is [my] standard conversation," says Kerley, whose 20-employee company produces and installs all types and sizes of signs.

But his activism goes beyond words. On several occasions this year, Kerley has lent House lawmakers an electronic national-debt clock that dramatically displays the magnitude of the federal government's fast-growing fiscal problems.

The federal debt is now more than \$4.9 trillion and is growing at \$48,000 per second, according to the Congressional Budget Office. Kerley's clock can show the new total at different intervals.

In May, the House Budget Committee used the clock as a backdrop to its deliberations on the House budget resolution. And the House Economic and Educational Opportunities Committee re-

cently displayed the clock during work on its portion of the budget bill. Says Kerley: "The only way that the deficit will be reduced is when people do what's best for the country and not what's best for their own self-serving interests."

Chamber member and GAIN activist Lee Janssen, owner of Lee Janssen Motor Co., in McCook, Neb., is among the many Chamber members who have

"It tells you when the important bills are about to come up for debates and/or votes," he says. "As businessmen out here trying to make a living, we may not be as informed as we should be, so [GAIN] gives you some inside information—the arguments for our position."

Andy Hines, president of Shrub & Turf, a nine-employee landscaping firm in Athens, Ga., says he's had to become more than just a businessman because of Congress' past inability to cut government spending and its penchant for over-regulating business.

"I'm a lawn-care guy," says Hines. "I want to grow grass and kill weeds." But, he says, he's now spending a significant amount of time lobbying Congress and tracking legislation that affects his business, including the federal budget.

Indeed, Hines makes several trips a year to Washington to talk

to lawmakers about issues affecting the lawn-care profession, such as pesticide regulations.

The Chamber and GAIN, he says, "have been excellent" in keeping him abreast on the budget battle, regulatory reform, and other important business issues.

In the meantime, Hines has started his own informal local network of legislative activists to whom he passes information received through GAIN.

Now, Hines is focused on the balanced-budget fight. "They've got to get to a balanced budget," he says. "From my perspective, [balancing the budget] sets a tone of leadership."

While the three Chamber activists believe that balancing the budget won't be painless for business, they all said they were willing to suffer for the good of the country's economic future.



Thomas P. Kerley, right, president of Kerley Signs Inc., and Patrick Schoelen, the firm's vice president for marketing, are concerned about the federal budget deficit. The U.S. Chamber activists recently loaned their electronic national-debt clock to House committees working on the budget.

written letters to their federal lawmakers urging them to balance the budget. His senators are Democrats J. Robert Kerrey and J. James Exon, and his representative is Bill Barrett, a Republican.

Janssen has also told anyone who will listen why he believes the issue is important to future generations as well as the current one. "It's just morally wrong to saddle these young people with ... debt their grandparents created," he says. "The government just keeps taking a larger and larger tax bite, and we all know that a goodly portion of the money we send to Washington goes to pay the interest on the national debt."

Janssen, who has 18 employees, credits the Chamber's GAIN system with keeping him informed about issues important to business. The Chamber uses the GAIN system to alert its activists at key points in the legislative process.

GAIN UPDATE

GRASSROOTS ACTION
INFORMATION
NETWORK

U.S. Chamber of Commerce Federation

Chamber Urges Changes In Legal-Immigration Bills

Proposals Would Cut Employer-Sponsored Immigration, Temporary Worker Visas

The U.S. Chamber of Commerce is urging the House and Senate to modify language in pending legislation to remove proposed cuts in or restrictions on immigration related to employment.

The business federation is taking aim at a bill (H.R. 2202) by Rep. Lamar Smith, R-Texas, that deals with illegal and sponsored legal immigration and a measure expected to be introduced soon by Sen. Alan K. Simpson, R-Wyo., on legal immigration. (Simpson already has introduced a bill dealing with illegal immigration.) These measures would cut the number of employment-based visas available for immigrants.

The House Judiciary Committee, which has jurisdiction over immigration issues, will consider Smith's bill imminently. Among other things, the measure would reduce to 135,000 a year, from the current 140,000, the number of employer-sponsored visas. The legislation also would require college-educated immigrants seeking jobs in the U.S. to have at least two years of job experience before being granted permanent immigration status. Immigrants without a college education would need to have four years of work experience or job training. There are no training or experience requirements under current law.

Although the proposed cut in business visas is only 5,000, the bill would allow for further reductions if visas for the reunification of families of nonbusiness immigrants are depleted. Currently, each year there are about 500,000 visas available for family reunification. That number would be cut to 330,000 under Smith's bill.

The House measure also would affect temporary, or nonimmigrant, professional worker visas. While the bill would eliminate some current requirements for employers seeking foreign professionals, it would add a provision mandating that an employer attest to the U.S. Department of Labor that it has not laid off U.S. workers and that it has searched for U.S. citizens to fill the job for which the firm is requesting a nonimmigrant visa.

In the Senate, Simpson's legal-immigration bill is expected to be similar to the provisions dealing with legal immigration in Smith's legislation.

Smith and Simpson bills. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.

Endangered-Species Bill Would Help Protect Property Rights, Chamber Says

The U.S. Chamber is urging Congress to support legislation that would protect property rights and better protect endangered species.

The Endangered Species Conservation and Management Act of 1995 (H.R. 2275) would provide a number of urgently needed reforms to the 23-year-old Endangered Species Act. The legislation was introduced by Reps. Don Young, R-Alaska, and Richard Pombo, R-Calif., and has the bipartisan support of more than 120 co-sponsors. Young is chairman of the House Resources Committee, which has jurisdiction over endangered-species legislation.

The Young-Pombo measure would, among other reforms, require the better use of science to determine whether a species requires federal protection; bring parties affected by the designation of a species as endangered into the listing decision-making process; and require timely designation of species' critical habitat and recovery plans. It would require the government to compensate property owners whose land is devalued by 20 percent or more as a result of being designated an endangered-species habitat. The bill is expected to receive final committee action soon.

Currently, the species-preservation law imposes a financial burden on private landowners by drastically restricting the use of their land when a federally protected species of plant, animal, or insect is discovered on their property. Some property owners have altered their lands to prevent protected species from establishing habitat. The Young-Pombo bill would provide government grants to landowners to encourage them to set aside property for endangered-species habitat.

In the Senate, Dirk Kempthorne, R-Idaho, chairman of the Environment and Public Works Subcommittee on Drinking Water, Fisheries and Wildlife, is expected to introduce an endangered-species reform bill similar to the Young-Pombo measure. A schedule for action has yet to be determined.

Sally Jefferson, associate director of domestic policy for the Chamber, says that the act has failed to meet its goal of protecting the habitats of endangered species so that their populations can recover. Only five species have been recovered, and in three of those cases the recovery resulted from additional populations being found.

Contact your representative and urge him or her to support the Endangered Species Conservation and Management Act of 1995. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.



Call your senators and representative immediately and urge them to make it easier for U.S. employers to obtain visas for immigrant workers. Ask them to oppose the cuts in and restrictions on employer-sponsored visas contained in the

GAIN UPDATE

Thank Senators Who Approved Welfare-Reform Bill

The Senate voted 87-12 Sept. 19 to approve a welfare-reform measure, a high priority of the U.S. Chamber of Commerce.

Under the legislation, the states would be given authority through block grants over much of the federal welfare system. States could deny welfare checks to families that have additional children and to unwed teenage mothers. The bill also would require able-bodied welfare recipients to find work within two years of beginning to receive welfare benefits and

would cut off welfare benefits entirely after five years.

(For more details on the Senate bill and how it relates to a tougher bill passed by the House, see Page 13A. For more information on the outlook for welfare reform, see Page 30 in *Nation's Business*.)

Write your senators and thank them if they voted for welfare reform. If they voted against it, express your disappointment. The address is U.S. Senate, Washington, D.C. 20510.

Senate Vote On Welfare Reform

**Voted
For Bill**



ALABAMA

Heflin
Shelby

ALASKA

Murkowski
Stevens

ARIZONA

Kyl
McCain

ARKANSAS

Bumpers
Pryor

CALIFORNIA

Boxer
Feinstein

COLORADO

Brown
Campbell

CONNECTICUT

Dodd
Lieberman

DELAWARE

Biden
Roth

FLORIDA

Graham
Mack

GEORGIA

Coverdell
Nunn

HAWAII

Inouye

IDAHOO

Craig
Kempthorne

INDIANA

Coats
Lugar

IOWA

Grassley
Harkin

KANSAS

Dole
Kassebaum

KENTUCKY

Ford
McConnell

LOUISIANA

Breaux
Johnston

MAINE

Cohen
Snowe

MARYLAND

Mikulski

MASSACHUSETTS

Kerry, John F.

MICHIGAN

Abraham
Levin

MINNESOTA

Grams

MISSISSIPPI

Coehran
Lott

MISSOURI

Ashcroft
Bond

MONTANA

Baucus
Burns

NEBRASKA

Exon

NEVADA

Bryan
Reid

NEW HAMPSHIRE

Gregg
Smith

NEW MEXICO

Bingaman
Domenici

NEW YORK

D'Amato

NORTH CAROLINA

Helms

NORTH DAKOTA

Conrad
Dorgan

OHIO

DeWine
Glenn

OKLAHOMA

Inhofe
Nickles

OREGON

Packwood

PENNSYLVANIA

Santorum
Specter

RHODE ISLAND

Chafee
Pell

SOUTH CAROLINA

Hollings
Thurmond

SOUTH DAKOTA

Daschle
Pressler

TENNESSEE

Frist
Thompson

TEXAS

Gramm
Hutchison

UTAH

Bennett
Hatch

VERMONT

Jeffords

VIRGINIA

Robb
Warner

WASHINGTON

Gorton
Murray

WEST VIRGINIA

Byrd
Rockefeller

WISCONSIN

Feingold
Kohl

WYOMING

Simpson
Thomas

**Voted
Against
Bill**



HAWAII

Akaka

ILLINOIS

Moseley-Braun
Simon

MARYLAND

Sarbanes

MASSACHUSETTS

Kennedy

MINNESOTA

Wellstone

NEBRASKA

Kerrey, J. Robert

NEW JERSEY

Bradley
Lautenberg

NEW YORK

Moynihan

NORTH CAROLINA

Faircloth

VERMONT

Leahy

**Did
Not
Vote**



OREGON

Hatfield

Join The Activist Network

If you would like to become a member of the U.S. Chamber of Commerce's Grassroots Action Information Network, please fill out sections I and II of this participant profile. Tear it out and send it to GAIN, U.S. Chamber of Commerce, P.O. Box 88, Kensington, Md. 20895-9893. Or you may fax this page and Page 10A to (301) 468-5119.

The information you provide on this profile will be confidential and used only to monitor issues important to you, to send you updates on issues, and to call you to action.

You will receive your GAIN participant kit shortly after your profile is received. The kit is designed to help you become an active GAIN participant.

Section I: General Information

(Please type or print clearly.)

Name: ☐ Mr. ☐ Mrs. ☐ Ms. ☐ Dr.

First _____ Middle Initial _____ Last _____

Title _____

Business/Organization _____

Business Address _____

City _____

State _____ Zip _____

Telephone Number () _____

Fax Number () _____

How would you prefer to receive GAIN information? ☐ Fax ☐ Mail

(Note: Providing a fax number ensures that you will receive urgent information and late-breaking updates quickly.)

Industry or Field (Choose one):

- | | |
|--|---|
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| <input type="checkbox"/> Communication | <input type="checkbox"/> Information/Technology |
| <input type="checkbox"/> Construction | <input type="checkbox"/> Manufacturing |
| <input type="checkbox"/> Distribution | <input type="checkbox"/> Mining |
| <input type="checkbox"/> Electric, Gas | <input type="checkbox"/> Retail |
| <input type="checkbox"/> Finance/Insurance/
Real Estate | <input type="checkbox"/> Services |
| | <input type="checkbox"/> Transportation |

Number of Employees:

- | | |
|-----------------------------------|-------------------------------------|
| <input type="checkbox"/> Under 10 | <input type="checkbox"/> 250-499 |
| <input type="checkbox"/> 10-49 | <input type="checkbox"/> 500-5,000 |
| <input type="checkbox"/> 50-99 | <input type="checkbox"/> Over 5,000 |
| <input type="checkbox"/> 100-249 | |

For Associations and Chambers of Commerce Only

Number of Members:

- | | |
|------------------------------------|--------------------------------------|
| <input type="checkbox"/> Under 500 | <input type="checkbox"/> 1,000-3,000 |
| <input type="checkbox"/> 500-999 | <input type="checkbox"/> Over 3,000 |

Operating Budget:

- | | |
|--|--|
| <input type="checkbox"/> Under \$50,000 | <input type="checkbox"/> \$500,000-\$999,999 |
| <input type="checkbox"/> \$50,000-\$99,999 | <input type="checkbox"/> \$1 million-\$5 million |
| <input type="checkbox"/> \$100,000-\$499,999 | <input type="checkbox"/> Over \$5 million |



GAIN UPDATE

SECTION II: Issue Interest

Listed below are the National Business Agenda issue priorities. These are the public-policy areas identified by U.S. Chamber members as being of the greatest importance to business and the national economy.

Please place a check mark (✓) beside the issues in which you want to become involved. You must select issues to participate in GAIN. The numbers beside the issues are for coding purposes.

Economic Policy

- ☐ Alternative Minimum Tax Credit (121)
- ☐ Balanced Budget Amendment (122)
- ☐ Budget Process Reform (123)
- ☐ Capital Gains Tax (124)
- ☐ Economic and Employment Impact of Federal Legislation and Regulation (125)
- ☐ Employee Stock Options (126)
- ☐ Environmental Remediation Costs (127)
- ☐ Estate Tax Reform (128)
- ☐ Expensing of Equipment (129)
- ☐ Foreign Tax Provisions (130)
- ☐ Income Tax Reform (131)
- ☐ Investment Tax Credit (132)
- ☐ Neutral Cost Recovery (133)
- ☐ Research and Targeted Jobs Tax Credit (134)
- ☐ Social Security Solvency (135)
- ☐ Subchapter S Reform (136)
- ☐ Tax Relief for Small-Business Owners (137)

Health Care

- ☐ Health Care Reform (221)
- ☐ Workers' Compensation (222)
(i.e., federalization; inclusion in health care reform)

Telecommunications And Transportation

- ☐ Telecommunications Infrastructure (321)
- ☐ Transportation (322)
(i.e., National Highway System; development; economic issues)

Work Force, Labor, And Benefits

- ☐ Electronic Monitoring (421)
- ☐ Employer-Sponsored Visas (422)
- ☐ Family and Medical Leave Act Amendments (423)
- ☐ Illegal Immigration (425)

- ☐ Labor Law Reform (426)
(i.e., striker replacement; increasing union power; National Labor Relations Board)
- ☐ Minimum Wage Increases (427)
- ☐ OSHA (428)
(i.e., reform; regulations)
- ☐ Pay Docking and the Fair Labor Standards Act (429)
- ☐ Pension Simplification (430)

Education And Training

- ☐ Federal Training and Employment System (521)
- ☐ Welfare Reform (522)

Regulatory And Legal Impediments

- ☐ Antitrust Reform (621)
- ☐ Civil Justice Reform (622)
- ☐ Federal Government Procurement/Acquisition (623)
- ☐ Lobbying Reform (624)
- ☐ Product Liability Reform (626)
- ☐ Regulatory Flexibility Act Amendments (627)

Environment And Resources

- ☐ Clean Water Act Reauthorization (721)
- ☐ Endangered Species Act (722)
- ☐ Farm Programs and Food Safety (723)
- ☐ Private Property Rights (724)
- ☐ Risk Assessment (725)
- ☐ Solid Waste and Hazardous Waste (726)
- ☐ Superfund (727)
- ☐ Mining Law Reform (728)

International Policy

- ☐ China's Most-Favored-Nation Trade Status (821)
- ☐ Free Trade/Chilean Accession to NAFTA (822)
- ☐ GATT Implementation (823)
- ☐ Intellectual-Property Protection (824)
- ☐ Linking Labor and Environmental Issues to Trade (825)

■ Testimony

Clinton Hit On Regulation

The Clinton administration, "at best, would receive an incomplete, and at worst, failing grades" for its efforts to ease regulatory burdens on small business, the U.S. Chamber of Commerce told the House Small Business Committee.

In recent testimony before the panel, Jeffrey H. Joseph, the Chamber's vice president for domestic policy, said regulatory agencies have been largely unresponsive to orders by the administration to modify and change unnecessary federal regulations.

Moreover, he added, the time and cost of complying with a host of federal rules are crippling small businesses.

Since 1993, President Clinton has issued a number of directives asking federal agencies to evaluate their regulations, decide which are necessary, and eliminate those that aren't. So far, little if any response has been made to those directives, Joseph said.

In fact, he told the small-business

panel, "not only are regulatory burdens not being reduced, they continue to grow."

Joseph cited an April 1995 study by the Institute for Regulatory Policy, a public-policy research organization in Washington, that found that of 510 regulations issued from April to September 1994, only 45 rules were reviewed by the Office of Information and Regulatory Affairs (OIRA). OIRA is the executive branch agency charged with overseeing all federal rules.

In addition, he noted, Clinton's 1996 budget called for a 6.3 percent increase in spending on regulatory programs.

Without holding the agencies accountable for the consequences of their regulations, Joseph told the panel, there is no way to keep them from continually passing rules that plague small businesses.

The Chamber has urged Congress to pass legislation requiring regulatory



Rep. Jan Meyers, R-Kan., right, chairman of the House Small Business Committee, and the U.S. Chamber's Jeffrey H. Joseph discuss a report card on the Clinton administration's regulatory-reform efforts.

agencies to use cost-benefit analyses and risk assessments in considering proposed regulations.

Joseph gave Congress "high marks" for its regulatory-reform efforts. He testified at the first in a series of oversight hearings held by the House Small Business Committee to examine the effects of regulations on small firms. The committee hopes to create its own report card on agencies' efforts to reduce the regulatory burdens after concluding its investigations next year.

■ 'First Business'



Barton Eckert, left, anchorman for the U.S. Chamber's "First Business" early morning television news program, interviews Thomas B. Wheeler, right, president and chief executive officer of Massachusetts Mutual Life Insurance Company, and David E. Sams Jr., president and chief executive officer of Connecticut Mutual Life Insurance Company, about the firms' pending merger. Connecticut Mutual sponsors "First Business" and co-sponsors the Blue Chip Enterprise Initiative. The Blue Chip program honors small businesses that have overcome adversity and emerged stronger. *Nation's Business* and the U.S. Chamber are also co-sponsors of the program.

■ Legislation

Highway Bill Nears Passage

Congress is on the verge of approving legislation that would create a highway network that the Clinton administration and the U.S. Chamber of Commerce say is vital to America's economy and national defense.

At press time in mid-October, slightly different House and Senate bills to establish the so-called National Highway System (NHS) of nearly 160,000 miles of key roads were being crafted into a single measure by a conference committee of lawmakers. The legislation would send \$5.2 billion to the states in fiscal 1996 for construction, maintenance, and repair of the system.

The U.S. Chamber of Commerce strongly supports the highway system legislation and has been urging lawmakers to pass a bill quickly and send it to President Clinton, who has indicated support for the measure.

■ Business Cases

Legal Center Scores Victories

The National Chamber Litigation Center, the U.S. Chamber of Commerce's public-policy law firm, has won several recent court battles important to business.

Issues resolved in the cases related to prevailing wages, product liability, and government contracts. Here are synopses of the victories:

■ Prevailing Wages

The U.S. Court of Appeals for the 9th Circuit, in San Francisco, upheld a lower-court decision and agreed with the NCLC that the National Labor Relations Act pre-empted a California county's prevailing-wage ordinance.

The case, *Chamber of Commerce of the United States vs. Bragdon*, stemmed from an ordinance passed by the Contra Costa County board of supervisors in late 1990. The statute required employers to pay union-negotiated wage and benefit rates to all workers, whether union or nonunion, on private construction projects of \$500,000 or more.

Federal and state prevailing-wage laws apply to projects that receive government funds, where the government acts as a purchaser and sets the wage rates. The county ordinance dictated wage rates to firms working on private projects, and the Chamber challenged the law.

In its opinion, the court of appeals said that the prevailing-wage rate required by the county "is not a wage and benefit package that has been bargained for in any fashion by these construction employers and employees." Rather, it said, the rate "is a minimum wage and benefit package that is promulgated by the director of the Department of Industrial Relations in the state of California and ... is developed by averaging the bargains struck by other employers and employees."

NCLC Vice President Robin Conrad said of the victory: "The impact of the appeals court decision goes far beyond Contra Costa County and California since other local governments nationwide have enacted or are considering similar regulation of private projects."

■ Product Liability

The Georgia Court of Appeals agreed with the NCLC that evidence of defects in product-liability trials should be strictly limited to the design and manufacture of the product in question.

The NCLC argued that trial courts must be held responsible for enforcing the law governing admissibility of evidence in product-liability cases. It also said that judgments arising from trials in which "nonrelated" and "highly prejudicial" evidence is admitted must be overturned. The NCLC made its arguments in a friend-of-the-court brief.

In *Ford vs. The Uniroyal Goodrich Tire Co.*, the trial court allowed the plaintiffs to present evidence of defects in some types of tires produced by Uniroyal. But there was no evidence presented of defects in the type of tire that failed on the plaintiffs' vehicle, which was involved in a serious accident as a result of the tire failure.

The trial court also allowed evidence of recall notices for tires other than the type on the plaintiffs' vehicle.

Further, the court instructed the jury that 75 percent of any jury award for punitive damages would be paid to the Georgia Treasury for the benefit of the state's citizens. The jury in the case awarded the plaintiffs \$42 million in damages, including \$25 million in punitive damages.

The appeals court cited those and other errors by the trial court in dismissing the punitive-damages award and in

sending the case back to the trial court for reconsideration.

■ Government Contracts

The federal government must abide by the terms of contracts into which it enters, ruled the U.S. Court of Appeals for the Federal Circuit, in Washington, D.C.

The NCLC filed a friend-of-the-court brief in support of several savings and loan institutions that sued the federal government for disallowing the use of "goodwill" as an asset on their books.

The case, *Glendale Federal Bank of California vs. U.S.*, stemmed from a government practice in the early 1980s

of enticing healthy savings and loans to buy failing thrifts by allowing the healthy ones to carry millions of dollars of goodwill on their books.

But Congress invalidated the use of goodwill in passing a 1989 savings and loan cleanup bill.

As a result, once-healthy institutions were suddenly facing failure or were forced to sell assets that hurt their earnings. The savings and loans sued the government for breach of contract.

The appeals court upheld a decision by the Court of Federal Claims that the government must reimburse savings and loans for damages suffered because of failure to honor the terms of its contracts.

"It is only fair that the government must honor its contracts," said the NCLC's Conrad. "Otherwise, who would be willing to do business with the federal government?"

■ Education Loans Program Growing

ConSern: Loans for Education, a private loan program of the U.S. Chamber of Commerce, is continuing to meet the financial needs of employers and employees.

More than 12,000 companies participate in the program, which since 1988 has provided more than \$650 million in loans to those firms' workers. The long-term credit-based loans are administered by University Support Services and offered in partnership with the Chamber, whose member firms and their employees can use the loans for college and secondary school.

ConSern officials recently recognized Ford Motor Co. for responding to its workers' needs for affordable education financing. The company began offering the loans in February and recently surpassed the \$1 million mark.

To become a ConSern sponsor or for information about the program, call 1-800-697-LOAN (1-800-697-5626).



■ Call Now

Chamber Backs Fast Welfare Action

The U.S. Chamber of Commerce is urging a quick resolution of differences in House and Senate welfare bills pending in a conference committee.

The Senate passed its welfare-reform measure Sept. 19 by a vote of 87-12. (See how your senators voted on Page 8A.) The House approved its bill in late March.

Both measures would give states control over much of the welfare system, would require welfare recipients to find work within two years of receiving welfare benefits, and would cut off benefits entirely after five years.

The bills also would reform the Supplemental Security Income (SSI) part of welfare, which provides cash to low-income aged and disabled. Drug addiction and alcoholism, for example, would no longer be considered a disability under SSI, and noncitizens would be denied SSI.

But there are some differences in the measures as passed by each chamber.

Under the House bill, for example, legal immigrants and children born to unwed mothers under age 18 would be denied aid. The legislation also would place a family cap on welfare by denying additional benefits to children born to welfare recipients.

In contrast, the Senate legislation would allow states to decide whether to deny assistance to unwed mothers and immigrants. It also would empower states to place a family cap on welfare recipients.

Compared with the current system, the House bill would save about \$102 billion over seven years; the Senate measure would save nearly \$66 billion, the Congressional Budget Office estimates.

Call your lawmakers now at (202) 224-3121 and urge them to support welfare-reform legislation being crafted by the House-Senate conference committee. Also, see Page 30 in Nation's Business for more information on welfare reform.



Majority Leader Robert Dole sponsored the Senate welfare-reform measure.

■ Labor

Hearings Urged On Union Tactics

The U.S. Chamber of Commerce has joined with three other business organizations in urging an end to "corporate campaign" tactics by some unions.

The tactics have been used to bring pressure on companies during contract negotiations and union organizing drives.

At a Sept. 21 press conference in Washington, the Chamber, the American Trucking Associations, the National Association of Manufacturers, and the Associated Builders and Contractors, Inc., called for congressional hearings on the issue.

Executives with the four organizations said the tactics being used to damage companies' reputations include action against a company's suppliers or lenders; shareholder resolutions that involve collective-bargaining issues; complaints to government agencies; and harassment of the firm's customers, officers, and directors.

Bruce Josten, the Chamber's senior vice president for membership policy, said unions are pressuring companies to sign labor contracts with them even before the companies' workers have had a chance to vote on whether they want union representation. He said this practice undermines the "time-honored democratic tradition" of a secret-ballot vote by employees.

"The U.S. Chamber supports efforts to thwart the practice of corporate campaigns," Josten said.

Rep. Peter Hoekstra, R-Mich., chairman of the House Oversight and Investigations Subcommittee, plans hearings on the issue later this fall. The panel is a subcommittee of the House Economic and Educational Opportunities Committee.

In a statement, Hoekstra said: "Are union-sponsored corporate campaigns an attempt to work constructively with the companies to resolve differences? Or are they intended to harm a company while achieving no real positive impact for the workers involved?"

The American Trucking Associations also wrote the Securities and Exchange Commission asking that it modify or reinterpret rules to allow publicly held companies to refuse to include union-sponsored resolutions in proxy statements when they're submitted at the same time collective bargaining or an organizing campaign is under way.

■ U.S.-Japan Trade



Dennis W. Sheehan, center, the U.S. Chamber's chairman for 1995-96, talks with U.S. Trade Representative Mickey Kantor, left, and Kosaku Inaba, chairman of the Japan Chamber of Commerce & Industry, at a recent major conference hosted by the U.S. Chamber on U.S.-Japan trade and business issues.

■ Litigation

High Court To Consider Key Business Matters

The National Chamber Litigation Center, the U.S. Chamber's public-policy law firm, has weighed in on four important business cases that the U.S. Supreme Court will decide during its 1995-96 term, which began in October.

The four cases involve punitive damages, employee-benefits law, union organizing, and immunity from liability for government contractors. The NCLC has filed briefs in each case.

■ Punitive Damages

In *BMW of North America Inc. vs. Ira Gore Jr.*, the litigation center has asked the Supreme Court to clarify the legal standard for determining when punitive damages are excessive and to rule that punishment in one state for conduct that occurred in other states is unconstitutional.

Ira Gore Jr. sued BMW in an Alabama state court after learning that part of his new \$40,000 car had been repainted to correct damage to its finish incurred during shipping. BMW did not disclose the repairs.

An Alabama jury awarded Gore \$4,000 in compensatory damages and \$4 million in punitive damages. The punitive-damages award was calculated by multiplying the \$4,000 in compensatory damages by the 1,000 cars partially repainted and sold by BMW nationwide over a 10-year period.

The Alabama Supreme Court ruled that the jury erred in penalizing BMW for the transactions that occurred outside that state. However, although only 14 repainted cars were sold in Alabama, the court reduced the punitive-damages award only by half, to \$2 million.

The NCLC brief says that the \$2 million punitive-damages award is "grossly excessive" and thus violates the due-process clause of the 14th Amendment to the Constitution. The brief also states that the Alabama Supreme Court's decision was "fundamentally unfair" because it based its punitive-damages award on a

theory not presented to the trial jury, in violation of BMW's due-process right.

Had the Alabama Supreme Court relied on the theory presented to the trial court—that BMW made profits of \$4,000 per car—it should have cut the punitive damages to \$56,000, or \$4,000 times the 14 cars sold in the state, the NCLC argues.

■ ERISA

The NCLC is arguing in *Variety Corp. vs. Howe* that the federal Employee Retirement Income Security Act (ERISA), which governs company benefit plans, does not allow plan participants



Washington attorneys Maureen E. Mahoney, a partner with Lathan & Watkins, and Edward W. Warren, a partner with Kirkland & Ellis, discuss business legal cases at a briefing at the Chamber.

to sue a firm for breach of fiduciary duty related to their own benefits.

The Variety Corp., which makes farm equipment, transferred some employees of a subsidiary to a new company Variety had formed. The employees sued, alleging that Variety had falsely represented the new firm's business prospects, and, when the new company failed and workers stopped receiving benefits, had breached fiduciary duty under ERISA. The employees asked for equitable relief.

Several lower courts, including the U.S. Court of Appeals for the Eighth Circuit, in St. Louis, sided with the employees, who were awarded \$696,195.

The NCLC, citing a previous Supreme Court decision and Congress' intent when passing ERISA, argues that suits

for breach of fiduciary duty may be brought in a representative capacity on behalf of the benefit plan as a whole but not on behalf of individual plan participants.

■ Union Organizing

The NCLC is asking the Supreme Court to rule that federal labor laws do not require companies to hire organizers paid by a labor union.

The case before the Supreme Court is *National Labor Relations Board vs. Town & Country Electric Inc. and Ameristaff Personnel Contractors Ltd.* It arose when Town & Country Electric terminated union organizers, who had been hired through a personnel agency, when it learned that a Minnesota law prohibited electrical companies from using agencies as sources of employees.

Then the company, which had learned about the workers' organizing activities after they were on the job, refused to hire the organizers directly.

The workers' union filed a complaint of unfair labor practice against Town & Country with the National Labor Relations Board (NLRB), alleging violation of the National Labor Relations Act.

The NLRB ruled in favor of the union, but the U.S. Court of Appeals for the Eighth Circuit, in St. Louis, reversed the decision, saying that individuals who are paid and controlled by a union that has targeted an employer for organization are not "employees" under the labor relations act.

The NCLC is asking the Supreme Court to uphold the appeals court ruling.

■ Contractor Immunity

In *Hercules Inc. and Thompson Co. vs. United States*, the NCLC is asking the high court to reverse a lower-court ruling that the Defense Production Act of 1950 does not protect from liability companies that have been compelled by the government to produce a product.

In the case, Vietnam veterans sued the manufacturers of Agent Orange. The U.S. Court of Appeals for the Federal Circuit, in Washington, ruled in favor of the veterans despite the fact that the Defense Production Act allowed the federal government to order the defendant firms to make the chemical defoliant.

In its brief, the NCLC cites a section of the defense-production law that mandates that a contractor shall not be liable for "damages ... for any act or failure to act resulting directly or indirectly from compliance with a rule, regulation, or order issued pursuant to this Act."

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U.S. Chamber Member Services

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

■ New Resources For Owners, Employees



The U.S. Chamber's new Small Business Institute provides owners, managers, and employees of small businesses with affordable resources to increase profits, improve job knowledge, and run a stronger, more successful company.

The institute offers 35 books designed specifically for small businesses. The books, which cost less than \$20 each, provide information and assistance on marketing and sales; budget and finance; legal issues; human relations and communications; improving productivity; quality and customer service; and supervision, management, and leadership.

Following are the books available from the institute's collection:

Marketing And Sales

Marketing Strategies for Small Businesses
Prospecting: The Key to Sales Success
Direct Mail Magic
Professional Selling
Writing and Implementing a Marketing Plan

Budget And Finance

Financial Basics of Small Business Success
Budgeting for a Small Business
Extending Credit and Collecting Cash
Getting a Business Loan
Personal Financial Fitness

Legal Issues

A Legal Guide for Small Business
Sexual Harassment: What You Need to Know
The Americans With Disabilities Act: Hiring, Accommodating and Supervising Employees with Disabilities
A Manager's Guide to OSHA
Rightful Termination: Avoiding Litigation

Human Relations And Communications

Human Relations in Small Business
Attacking Absenteeism
Quality Interviewing
Effective Performance Appraisals
Working Together: Succeeding in a Multicultural Organization

Improving Productivity

Avoiding Mistakes in Your Small Business
Personal Time Management
Organizing Your Workspace
Attitude
Better Business Writing

Quality And Customer Service

Great Customer Service for Your Small Business
Telephone Skills From A to Z
Calming Upset Customers
Measuring Customer Satisfaction
Quality Customer Service

Supervision/Management/Leadership

Building Teams for Your Small Business
Rate Your Skills as a Manager
Managing Negative People
Project Management
Giving and Receiving Criticism

To order the books, call 1-800-884-2880. For more information about the Small Business Institute, call the Chamber's Federation Programs and Services Division at (202) 778-2401.

■ Management Training

Garry Mathiason, a San Francisco attorney, and Chris Hatcher, professor of psychology at the University of California at San Francisco, will conduct a seminar for business managers on "Violence in the Workplace." The Oct. 31 seminar, which will be downlinked via satellite from 1 to 3 p.m. Eastern time at locations nationwide, will be co-sponsored by the Society for Human Resource Management and the National Chamber Litigation Center, the Chamber's public-policy law firm.



Mathiason

The seminar is part of the Chamber's fall Quality Learning Series produced by the federation's Quality Learning Services (QLS) Department.

Dates, seminar leaders, and subjects for the remaining programs in the fall series are:

Nov. 7—A. Roger Merrill, vice president and founding member, Covey Leadership Center, "Win-Win Stewardship."

Nov. 14—Patricia Harrison, president, National Women's Economic Alliance Foundation, "A Seat at the Table: An Insider's Guide for America's New Women Leaders."

Dec. 5—Joel Barker, president and founder, Infinity Limited consulting firm, "Five Regions of the Future."

All the seminars will air from 1 to 3 p.m. Eastern time. To learn how you can host a downlink site or purchase taping rights, call QLS at 1-800-835-4730 or (202) 463-5940. A catalog describing the fall seminars in detail is also available.

■ IBEX Electronic Trading System

A personal-computer-based electronic system to help firms locate, qualify, and negotiate domestic and international trade and investment opportunities is available from the Chamber.

The International Business Exchange (IBEX) system automatically identifies foreign or domestic counteroffers to firms' buy, sell, or invest offers posted on the system.

The initial one-time subscription fee for the IBEX software program is \$250. To subscribe or for more information, call 1-800-537-IBEX (1-800-537-4239), or, in Washington, D.C., (202) 463-5665.

■ Policy Briefings

The Chamber's Briefing Center designs and conducts meetings during which representatives of businesses, state and local chambers of commerce, and trade associations receive specialized presentations on public-policy issues affecting their

respective organizations.

For more information or to arrange a briefing, call (202) 463-5414.

■ Local Chamber Survey



The Chamber's Office of Chamber of Commerce Relations now has available its 1995 Survey of Local Chambers of Commerce, a compilation of financial and program data from chambers nationwide.

The survey provides information on chamber executive and staff salaries, chamber membership income, sources of income, membership statistics, and employee benefits, and it is a useful tool for comparing the performance of your chamber with others.

To order the survey, which costs \$35 plus \$2.95 for shipping and handling, call Fannie Jones at (202) 463-5580.

■ Business Cases In The Courts

The National Chamber Litigation Center, the U.S. Chamber's public-policy law firm, publishes *The Business Counsel* to keep companies informed about important business-related court cases in which the litigation center is involved.

The quarterly publication, along with a listing of NCLC cases—published eight times a year—is free to NCLC members. The cost to non-members is \$45 a year.

For more information about NCLC, call Robin Conrad at (202) 463-5337. To order *The Business Counsel* and Case List, call Cam Esser at (202) 463-5341.